Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1400	Singapore	S$4.10
Canada	C$1.00	Japan	Y400	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rs30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlnt2.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes900	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rp15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,478 Wednesday March 2 1988 D 8523 A

Panama: Mixing the medium and the message, Page 4

World News

Iranians protest to Soviets over missiles

Iran protested to the Soviet Union over Iraqi attacks on Tehran, accusing Moscow of supplying Iraq with missiles. It said at least 27 civilians had been killed since Monday and 100 injured.

Iraq, which claimed it produced the weapons itself, launched 17 ground-to-ground missiles against Tehran in just over 24 hours in what diplomatic observers saw as a desperate attempt to bring about a solution to the Gulf conflict. Page 3

Fed arrests trader

US Federal authorities arrested a major Wall Street stock trader after a New Jersey state judge ordered the man released on his own recognizance on charges he tried to shoot financier Ivan Boesky.

Jordanian Tornado deal

Jordan is to to buy eight Tornado aircraft from the British Government in a multi-million pound deal it was announced last night. A contract is expected to be signed soon.

Chemical arms seized

Dutch officials in Rotterdam, acting on a US request, confiscated chemical weapons on a ship bound for Iran.

Benelux infantry plan

Belgium, the Netherlands and Luxembourg were considering forming a joint light infantry battalion in a move to encourage European military co-operation, Belgian sources said.

Apartheid law defied

South Africa's biggest company, Anglo American, started letting apartments to blacks in Johannesburg in defiance of government threats and the apartheid Group Areas Act. Page 3

Third World debt plan

A series of measures to ease the debt burden of developing countries, including the indexation of Third World debt on the evolution of raw material prices, were proposed by French Prime Minister Jacques Chirac. Page 2

Drugs recalled

Brazilian health officials recalled nine drugs produced by Hoechst's Brazilian subsidiary because of concern that the drugs might have been made with blood containing AIDS antibodies. Page 4

Steelworkers protest

About 15 people were injured in scuffles and police fired tear gas at hundreds of steelworkers demonstrating in Naples against proposals to cut thousands of jobs.

Greek arms chief killed

A former director of Pyrkal, one of Greece's largest arms companies, was shot dead in Athens and a left-wing group claimed responsibility.

Journalists jailed

The Polish Government announced that two Polish journalists had been jailed for spying for the US and another, unnamed, Western country.

Brazil-China project

Brazil and China plan a $150m joint project to build an observation satellite,to be launched on a Chinese-built rocket by 1992, the Brazilian Government said.

Marcos 'dying'

Former Philippines leader Ferdinand Marcos was seriously ill with cancer and wanted to return to die in his homeland, a newspaper in Manila reported.

Norwegian arsenic leak

Norway faced its most serious pollution problem after 200,000 litres of a toxic arsenic mixture spilled from a coke-making plant into a fjord on the west coast.

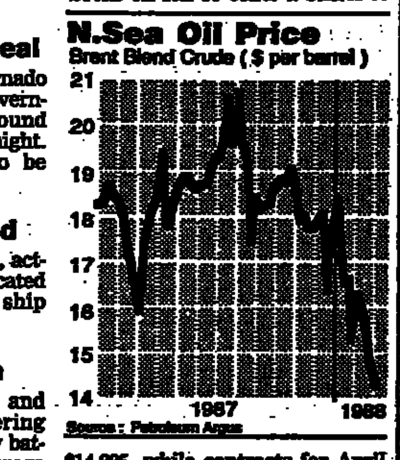
Business Summary

Court clears SGB to issue shares as poison pill

SOCIETE GENERALE de Belgique bid battle took another unexpected turn when a Brussels Court overruled a previous legal decision outlawing the board's "poison pill" defence and legitimised the issue of 12m authorised but previously unissued shares in the company. Page 21

GENERAL MOTORS of the US, world's largest automotive group, is to replace the ageing European Opel Ascona/Vauxhall Cavalier range in the autumn in a strategic product move that will be crucial to its fortunes in Europe. Page 21

OIL PRICES took another severe beating following reports in Tokyo that Arabian Oil was offering discounts to Japanese buyers. Brent oil fell 55 cents a barrel to



$14.225, while contracts for April crude oil futures at the New York Mercantile Exchange were off 46 cents, approaching $15.50 a barrel during mid-day trading. Page 31

WALL STREET: The Dow Jones industrial average closed down 1.16 at 2,070.46. Page 42

LONDON: The confident mood continued in London, helped by strong earlier gains in New York and Tokyo. But trading was generally sluggish and the FT-SE 100 index closed up 13.1 at 1,781.9. Page 38

TOKYO: The start of the new month and the overnight gain on Wall Street spurred heavy buying in Tokyo, with the market recording its highest turnover since August 28 last year. The Nikkei average rose 193.09 to 25,435.9. Page 42

DOLLAR closed in New York at DM1.68675; Y128.375; FFr5.7075; and SFr1.3925. It closed in London at DM1.6850 (DM1.6880); Y128.25 (Y128.35); FFr5.7050 (FFr5.7175); and SFr1.3915 (unchanged). Page 31

STERLING closed in New York at $1.7780. It closed in London at $1.7780 ($1.7785); DM2.9950 (DM2.9925); Y228.0 (Y227.75); FFr10.1425 (FFr10.14); and SFr2.4750 (SFr2.4675). Page 31

BP AMERICA said higher oil prices resulted in a fourth-quarter operating profit of $613m, compared with $109m for the same period in 1986.

PUGET, MAHE and Boscher, Paris stockbrokers, were cleared by the Paris stockbrokers' association of allegations that they neglected client interests last year. Page 25

WAGONS-LITS, diversified Franco-Belgian railway sleeping car company, and Volkswagen, West German car group, have agreed to merge their car rental businesses to form the biggest car rental group in Europe, ahead of Hertz and Avis. Page 22

CARREFOUR, French hypermarket and supermarket company, has reported a 16.4 per cent rise in consolidated net profits last year to FFr761m ($133.5m). Page 22

REPUBLIC NATIONAL Bank of New York, whose leading shareholder is Edmond Safra, Lebanese financier, has opened a subsidiary in Switzerland.

TEIKOKU OIL, Japan's second-largest oil and gas producer, suffered a 12.7 per cent fall in sales last year to Y40bn ($311.2m), due to poor demand for domestic natural gas. Page 24

Baker says dollar fall counter-productive

BY ANTHONY HARRIS IN WASHINGTON

MR JAMES BAKER, the US Treasury Secretary, yesterday made his strongest statement to date in support of exchange rate stabilisation and of resisting any further fall in the value of the dollar in the foreign exchange markets.

In his appearance before the Senate Budget Committee, which is holding hearings on the budget, Mr Baker said that the US was now price competitive, and that any further falls in the value of the dollar would be counter-productive.

Active US support for the dollar in the exchange markets has been evident since the beginning of the year, but the Treasury Secretary's own position has remained a matter of some doubt.

Mr Baker has in the past frequently used the threat of dollar depreciation to bring pressure on America's trade partners for policy changes. His evidence seems to make it clear that he has now abandoned this approach.

Mr Baker said that the US was now on track to correct both its trade and federal deficits, and argued that the problem of US debt had been much exaggerated.

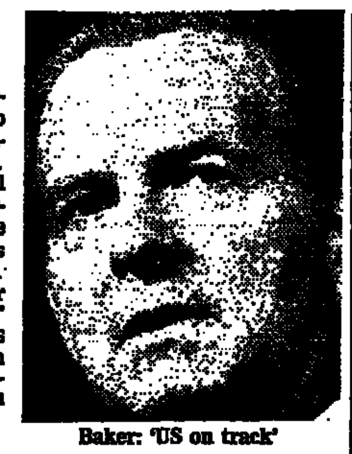
He claimed that interest payments would be falling as a proportion of budget expenditure by the end of fiscal 1988, and that the national debt would begin to fall in real terms during 1989.

Mr Baker also claimed that the economic policy co-ordination under the Louvre agreement was producing results, and went out of his way to praise not only Japanese but also German efforts to harmonise their economic policies to assist the US adjustment.

The Administration has until now been openly critical of German policies, though much more appreciative of Japanese success in stimulating domestic demand.

● Treasury Secretary Baker attacked proposals for a "global" solution to the debt crisis as counterproductive to long-term economic growth in the developing world, Reuter reports from Washington.

Currencies, Page 31


Baker: 'US on track'

British Aerospace in surprise negotiations to buy Rover Group

BY JOHN GRIFFITHS AND PETER RIDDELL IN LONDON AND KEVIN DONE IN GENEVA

BRITISH AEROSPACE is negotiating to buy the UK Government's 99.2 per cent stake in Rover, the vehicles group. The move is the most radical development to date in the privatisation saga of the troubled company, which comprises mainly the Austin Rover car and Land Rover off-road vehicles companies.

The two companies have until the end of April to conclude a deal, Lord Young, the Trade and Industry Secretary, said in the House of Lords yesterday.

After this, said Lord Young, other options would be considered. However, he acknowledged that no alternative potential purchasers were currently known.

The prospect of a takeover of the only British-owned big volume car manufacturer by the nation's aircraft and missiles conglomerate astonished parliamentarians, the motor industry and analysts although all were aware that the government was keen to sell its Rover stake.

BAe's interest in Rover Group itself, which made a record net loss of £892.1m ($1.62bn) in 1986 but which next week will report an operating profit for last year, also came as a complete surprise to the aerospace industry.

The chairman of BAe, Professor Roland Smith, listed a number of reasons for a deal.

There was, he said, "synergy in engineering, technology, marketing, purchasing and the pursuit of quality standards."

Trading in the shares of BAe and and Rover Group, which still has 60,000 private shareholders, was suspended yesterday.

However, the London Stock Exchange reacted badly when trading was resumed, marking BAe's shares down 25p to 329p at the close.

Leaders of the European motor industry attending the Geneva motor show expressed surprise at the announcement of the talks between British Aerospace and the Rover Group. They immediately questioned British Aerospace's ability to get to grips with the deep-seated problems of Austin Rover's volume car operations.

Mr Paul Tosh, chief executive of Vauxhall, said: "I don't understand it. It was a surprise to me. I had expected a takeover by another motor manufacturer."

Mr Carl Hahn, chairman of the board of management of West Germany's Volkswagen, said: "I was amazed.... but it is quite normal if you look at the policy of the UK government towards a company like SAS, the Scandinavian Airline System, when it attempted to come into the British airline industry. Great priority was given to domestic and not international solutions."

It also sparked an immediate protest from the MSF union (formerly ASTMS and TASS), which represents about 6,000 of Austin Rover's 9,000 staff members.

The possible takeover by British Aerospace was welcomed by government legislators, although opposition Labour leaders were sceptical and concerned about the implications for jobs in the Midlands region where Rover is based and about future investment.

Background Page 18; Lex, Page 20

Continued on Page 20

Macy's enters battle for Federated with $6.2bn bid

BY JAMES BUCHAN IN NEW YORK

R.H. MACY, the private New York retailer which claims to run the world's largest department store, yesterday emerged as the mystery bidder for Federated Department Stores with a cash-and-securities offer thought to be worth at least $6.2bn.

The last-minute offer, presented to Federated's board on Monday, creates a full-blown struggle for North America's largest department store chain. It has been under siege for a month from the Campeau group of Toronto, which is offering $6.02bn in cash.

The sudden intervention marks a renaissance for the market for the speculative debt known as "junk bonds," which has been under a cloud because of the insider trading scandal and the stock market crash.

Two Wall Street firms, Drexel Burnham Lambert and Kidder Peabody, said yesterday they were "highly confident" they could place $1.8bn in junk bonds or put up the same amount in bridging finance for Macy's.

If successful, the bid would create a very large department store group with revenues of $15bn and an overwhelming position in New York City, with all three of the top stores: Macy's and Bloomingdale's in Manhattan and Abraham & Strauss in Brooklyn.

But it creates deep uncertainty for Marks and Spencer of the UK, which has been banking on a Campeau victory for its own expansion into the US. The Canadian real estate and retailing group will sell Marks and Spencer the celebrated Brooks Brothers menswear chain for $770m, but only to help finance a successful offer for Federated.

Macy's said it was offering $73.80 a share for 80 per cent of Federated and its own shares for the remainder. Federated's stockholders will end up owning 40 per cent of the combined group.

Federated stock closed up $1¼ at $67¾.

Wall Street investors said it was hard to value the Macy's bid because the company has no public market for the stock on offer.

Campeau, which has progressively raised its offer from $47 a share to $68 a share, said Macy's approach was "simply not competitive" with its all-cash bid. The transaction just depends too heavily on the speculative trading value of the shares of a new, highly leveraged combined Macy-Federated," the real estate and retailing group said.

Federated, which runs eight department stores chains in addition to Bloomingdale's and Abraham & Strauss, said management would negotiate a deal with Macy's and then present it along with the Campeau offer to the board.

Second miracle on 34th Street, Page 21

Nato to avoid controversy

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN BRUSSELS

NATO LEADERS, who meet here today for only their second summit in six years, are expected to postpone controversial decisions on the modernisation of the Alliance's short-range nuclear weapons which threaten the united front they are anxious to present.

Instead, they will put the accent on the need for a rapid start to negotiations with the Warsaw Pact on the reduction of conventional forces, the terms of reference for which are being worked out between members of the two alliances in Vienna.

Nato's position on conventional troop cuts is expected to be set out in a special document, due to be adopted today, which will be separate from tomorrow's final communiqué devoted to more general Alliance problems.

The problem of Europe-based battlefield nuclear weapons has been pushed to the forefront of the arms control debate since the signature of the INF treaty, abolishing ground-based medium-range missiles, by the US and the Soviet Union in Washington last December.

The West German Government, influenced by a strong current of political and public opinion emphasising that Germany would be uniquely vulnerable to the remaining short-range nuclear weapons in Europe, has opposed their modernisation and proposed that they should be reduced to equal levels in negotiations with Moscow.

This view has been strongly challenged by some of Bonn's main partners, with Mrs Margaret Thatcher, the British Prime Minister, taking the lead in underlining the dangers of any denuclearisation for the defence of Europe at a time when the Warsaw Pact's superiority in conventional forces was still very great.

Mitterrand line, Page 2

Continued on Page 20

Airbus partners back McDonnell collaboration

BY DAVID MARSH IN PARIS

THE LIKELIHOOD of an airliner manufacturing agreement between the European Airbus group and McDonnell Douglas of the US increased sharply yesterday when a formal go-ahead for collaboration talks between the two was given by the four Airbus partner governments meeting in Paris.

The ministers also agreed to examine proposals for turning the Airbus Industrie consortium, owned by Aerospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany, British Aerospace and Casa of Spain, into a public limited company at a meeting in Madrid next month.

Mr Jean Pierson, the Airbus Industrie president, has been given until June to conclude a possible co-operation framework with McDonnell Douglas.

Mr Jacques Douffiagues, the French Transport Minister, who chaired the meeting, said he hoped an agreement could be reached by the summer.

Ministers from the four countries — West Germany, France, Britain and Spain — which back the Airbus, are in favour of talks with the US manufacturer to improve the financing basis for present and future Airbus programmes which has been thrown into doubt by the fall in the dollar.

Additionally they want to head off the prospect of a damaging clash with the US Government over the issue of rising subsidies for Airbus and to increase Airbus's chances of meeting the challenge of Boeing of the US.

The next round of talks between Mr Clayton Yeutter, the US Trade Representative, and the European Commission over the subsidies wrangle will be in Konstanz, south Germany, on March 18.

In a communique issued at the end of the meeting, the ministers said they had given Airbus Industrie "a mandate to continue, with necessary diligence, negotiations with McDonnell Douglas with the desire of reaching a balanced co-operation agreement of benefit for the two sides."

Although McDonnell Douglas has called in the past for the two airliner manufacturers to join forces to challenge Boeing's dominance, the negotiations are likely to be tough.

Government officials and chief executives from the four companies said the most likely area for collaboration was on a smaller 100 to 150 seater aircraft and on a large high-capacity aircraft in the Boeing 747 class.

The latter project could make use of a stretched air frame from McDonnell Douglas's proposed long haul MD-11 airliner and the new wing sections to be developed for the Airbus A330 aircraft.

Formal talks between Airbus Industrie and McDonnell Douglas were broken off 18 months ago, although some informal contacts have been kept up since then with partner governments and shareholders.

Lyston McLain in London writes: "We are sure the discussions with Airbus Industrie will continue," said a McDonnell Douglas spokesman in Long Beach, California. "The talks have been going on for years and we have had discussions recently."

McDonnell Douglas said previous talks had covered a range of possible areas of collaboration, including aircraft with a capacity of under 150 seats, the current size of the Airbus A320, the McDonnell Douglas MD-80 and the proposed MD-92 propfan powered 150 to 160 seat airliner.

The talks had also included possible collaboration on a large airliner to take on the Boeing 747 jumbo jet in world markets.

Background, Page 4

Soviet troops enforce curfew in riot city

By Christopher Bobinski in Moscow

THE SOVIET authorities have brought in troops and armoured cars to enforce order in the Azerbaijani industrial city of Sumgait, which saw intercommunal rioting on Sunday.

Officials in the city of 180,000 inhabitants said yesterday that the situation was calm and a curfew between 8pm and 7am was in force. The Azerbaijani capital of Baku, 30km to the south, was also reported as quite normal.

[A police official contacted in Sumgait by Reuter said that the curfew "was in force last night. It is back in force tonight. The troops are there to make sure it is observed."]

Mr Gennady Gerasimov, the Soviet spokesman, said yesterday that the situation was "calm but tense" in Sumgait but revealed that demonstrations were continuing in Stepanakert, the capital of Nagorno-Karabakh.

He explained that foreign correspondents were not being allowed to travel to the area because what they published would serve to incite nationalist emotions. He said that "many problems had accumulated in Nagorno-Karabakh" and that mistakes had been made which would now have to be rectified.

The statement suggested that the Soviet leadership would now move to reverse the policy of seeking to impose Azerbaijani Shia culture on the Nagorno-Karabakh population which has been conducted by the authorities in Baku.

This would mean greater schooling facilities in their own language, more Christian churches as well as cultural links with Armenia itself. There was still no indication, however, that the authorities were ready to concede the reunification demand.

The rioting between Azerbaijanis and Armenians in the city, which produced an as-yet-undisclosed number of casualties, came after two weeks of demonstrations in the Azerbaijani region of Nagorno-Karabakh. The dominant Armenian population there has been demanding to be reunified with neighbouring Armenia. Two Azerbaijani deaths have also been reported in the region.

Last week also saw massive demonstrations in Yerevan, the Armenian capital itself,in support of the nationalist demand.

CONTENTS


UN mediator Diego Cordovez whose brief is confined to withdrawal, Page 20

AFGHAN ANSWER RAISES FRESH QUESTIONS

Bonn plans some telecom competition

BY DAVID GOODHART IN BONN

THE West German Government yesterday took another cautious step towards limited de-regulation of the telecommunications market when it published the draft of a Bundespost law which, Parliament allowing, will be enacted early next year.

The proposals, which closely follow the recommendations of last September's Witte Commission report, include splitting the Bundespost into three businesses – postal, post-bank and telecommunications; leaving untouched the monopoly over the telephone system but allowing limited competition with the Bundespost in other telecommunications services; and substantially easing the process of licensing new equipment to attach to the network.

Competition on the main telephone network was never a serious possibility at this stage in the deregulation debate, but the draft proposals will still disappoint some liberals, including the dissenting minority on the Witte commission.

Competition may initially be restricted to a few fringe services such as teletext, video telephones and some satellite communication, particularly as the "mandatory" services – those that must be provided nationally at a fixed price – will include those subject to international standards. There will be a competitor to the Bundespost's mobile digital telephone service in the early 1990s but that would have been required by the EC in any case.

Some de-regulators were pleased to note that the reorganisation plan eliminates the Bundespost-wide supervisory board, seen by many as a dampening influence on reform. Although it will be replaced by three supervisory boards for the three separate companies, the Posts and Telecommunications Minister, Mr Christian Shwarz-Schilling, will probably be able to override their decisions. The aim of turning posts and telecommunications from public services into businesses may thus be made easier.

The fuzziness of some of the proposals means that a lot will depend on who implements them and how much, if at all, they are further clarified or watered down in Parliament.

The main postal union, which represents most of the Bundespost's 500,000 employees, has rejected the proposals, which it believes will lead to substantial job losses and a deterioration in services.

● The main West German public service unions, representing more than 1.5m workers, yesterday failed to reach agreement with government negotiators over their claim for pay and reduced hours. The claim for a 5 per cent improvement – through a combination of reduction in hours and increased pay – will now go to arbitration.

General strike called in Portugal

By Diana Smith in Lisbon

A GENERAL STRIKE has been called for March 28 by Portugal's centre-left labour confederation the UGT (União Geral de Trabalhadores).

The CGTP (Confederacão Geral de Trabalhadores), once a preserve of the Communist Party but now more pragmatic, has indicated that is backs the idea of such action, may hold a strike of its own.

They want a show of strength against Mr Anibal Cavaco Silva, a member of the Social Democrat Cabinet, who last week approved labour reforms aimed at reconciling local hiring or firing laws with flexible EC practices.

The proposals must be voted in Parliament, where the government has a 51 per cent majority, before becoming law.

The unions adamantly oppose liberalised sacking. They want details in writing, the possibility of employee appeals and mutually-agreed reinstatement or lay-off, if conditions warrant.

Portugal introduced stringent limits on dismissal in 1974 when the old regime, which made it easy to sack on flimsy grounds, was toppled.

The government claims its proposals – the third set it has drawn up, progressively strengthening shields against abuse – are a softer version of EC laws. The management confederation, the CIP, says the proposals are too soft.

The Government seems to have sparked off the move for a general strike by not pursuing labour reform talks. It is losing the reputation for seeking a broad consensus it had as an embattled minority in 1985-87 and gaining one for abrupt pronouncements on key economic matters.

In a tense February of transport strikes pushing for better concessions on wages productivity and working hours concessions, the Prime Minister met Mr Jose Torres Couto, the UGT leader. However, the cabinet approved its labour law package before the UGT of CGTP could give their reaction to the proposals.

Mitterrand line moderated on Nato N-arms

BY PAUL BETTS IN PARIS

THE ELYSEE Palace yesterday backed away from the impression given by President Francois Mitterrand of France during the past few days that he was opposed to the modernisation of Nato's short-range nuclear weapons in Europe.

An official explained that it was in answer to a question that Mr Mitterrand had expressed the view that modernisation of short-range weapons was not an urgent issue.

This reinterpretation of the President's position is expected to make it much easier for Mr Mitterrand to adopt a joint line with Mr Jacques Chirac, his Prime Minister, when they represent France at today's Nato summit in Brussels.

Mr Chirac also acknowledged at a news conference yesterday that the modernisation of short-range weapons was not an urgent issue, adding that in any case the question did not directly affect France since it was not a member of Nato's military structure. He added: "Our allies have no intention of deciding this issue at the Brussels summit."

Mr Mitterrand's statements opposing the modernisation of short-range weapons had threatened to undermine even further the delicate power-sharing balance in France between Mr Chirac and President Mitterrand in the run-up to the presidential elections at the end of next month. But both Mr Chirac and the Elysee were anxious yesterday to emphasise that they did not want a domestic controversy on the subject of defence.

However, both parties sought to spell out their respective positions on defence policy yesterday. Mr Mitterrand's aides said the President believed there was an historic opportunity to advance the process of detente and disarmament and that every effort should be made to take advantage of it.

This is why Mr Mitterrand felt that there was no urgency to tackle the issue of modernising short range weapons in Europe.

The same aides also indicated that Mr Mitterrand did not regard the concept of a "triple zero option", which would lead to an agreement between the US and the Soviet Union on the elimination of short-range nuclear weapons in Europe, as an issue requiring urgent attention.

For his part, Mr Chirac said he opposed the triple zero option since it would risk provoking the withdrawal of American forces in West Europe.

He emphasised disarmament was not an end in itself. "It only makes sense if it contributes to reinforce everybody's security by eliminating the imbalances which undoubtedly favour at present the Soviet Union," he said. He also argued that without credible nuclear weapons it was difficult to see how there could be real nuclear deterrent or any balanced process of disarmament.

One priority was a reduction in the superpowers' strategic arsenals without at the same time launching a new arms race in space. Another was the imbalance of conventional forces and chemical weapons in Europe.

Chirac: short-range weapons not urgent issue.

Tax row in Austrian coalition

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition Government, already under considerable pressure from the Waldheim affair, is locked in bitter disagreement over tax reform largely because Mr Alois Mock, the Foreign Minister, will still not agree to one of the measures.

Mr Mock, who heads the conservative People's Party (OeVP), junior partner in the coalition, has again repeated his opposition to the introduction of a *quellensteuer*, or withholding tax on savings.

Government officials and the experts working on the country's first overhaul and modernisation of the tax system since the war said yesterday that the success of the tax reform hinges on this measure.

Discussions began several months ago and it was hoped to finalise details this week or next. Signs of an agreement emerged last week but at the weekend Mr Mock unexpectedly changed his mind and repeated his opposition to any tax on savings. Post-war Austrian governments exempted savings from taxes in order to build up capital.

Mr Mock's stance has not only imposed serious strains on the coalition, but divided his own party. His opposition to the withholding tax stems from an electoral commitment that savings would not be taxed.

His electoral base is firmly entrenched in Niederoesterreich, which accounts for half the OeVP's 800,000 votes. Outside this province, other OeVP officials recognise the necessity of updating the tax system. "Besides, we have to show we can work with the coalition. Mock is forcing too much of a strain on it at the moment," an OeVP official said.

He added that this was the last thing the OeVP wanted, given that its standing in the polls has dropped sharply over the past few weeks in favour of increasing support for Mr Franz Vranitzky, the Socialist Chancellor.

Much depends on what happens today when the OeVP holds an executive meeting to discuss the tax reform and other issues.

If Mr Mock continues to stand firm the options for the coalition are few. "Either we abandon the tax reform, or else close down the coalition," a Finance Ministry official said.

Mock: serious strains on coalition.

Tax reductions likely for Dutch industry

BY LAURA RAUN IN AMSTERDAM

DUTCH INDUSTRY may receive about Fl6bn (£1.5bn) of relief in taxes and welfare premiums following the abolition of a subsidy scheme for business investment.

An inner circle of cabinet ministers will meet industrial and agricultural leaders tomorrow in an effort to reach a consensus on cuts in corporate taxes and welfare premiums paid by employers.

Mr Ruud Lubbers, the Prime Minister, is said to favour lower premiums and corporate taxes, while Mr Onno Ruding, the Finance Minister, is believed to support reductions in personal income taxes.

The employers' associations generally want a lower corporate tax, which is now 42 per cent, while farmers prefer reductions in income taxes, which peak at 72 per cent. On Friday the full cabinet is to discuss the issue and hopes to draw up a position in a couple of weeks.

The Netherlands' steep taxes and social security premiums are the second highest in the Organisation for Economic Co-operation and Development, behind Sweden, and are criticised by some as a drag on the economy. There are growing calls for cuts in the fiscal burden in order to keep production costs competitive with those in neighbouring countries which already have pared taxes.

The cabinet abolished the subsidy scheme for business investment, known as the WIR, last weekend in a move which took the business community by surprise. WIR replaced accelerated depreciation in 1978 and has since provided a total of about Fl40bn in aid to companies, both Dutch and foreign, through a 12.5 per cent subsidy on investments.

The Christian Democrat-Liberal Government finally decided that the WIR had failed to stimulate investment, employment and economic growth enough to justify the spiralling costs.

The Government, however, is still committed to providing relief to industry under the coalition's basic political programme. The Christian Democrats would rather trim labour costs, which are among the highest in the world, in a bid to pare high unemployment. The right-of-centre Liberals would prefer to shrink personal income taxes.

France and Spain block bid to settle EC budget

BY DAVID BUCHAN IN BRUSSELS

THE IMPASSE over the drafting of this year's European Community budget continued yesterday as France and Spain objected to Italy's insistence that a special meeting of foreign ministers be convoked to settle precisely how the UK's 1988 rebate should be paid.

Last week Italy was the odd man out, refusing to have the Ecu2.38bn (£1.6bn) rebate paid from member states' value added tax contributions to the EC.

On an ultimatum from West Germany, president of the EC, Italy gave its agreement to a draft 1988 budget provided the sums relating to the UK rebate were regarded as provisional, to be amended later during negotiations with the European Parliament. But French and Spanish diplomats here yesterday balked at this.

The dispute, which threatens to delay budget passage until mid-summer, turns on interpretation of the painfully-wrought Brussels summit accord. Italy, which interprets the accord in a way which would lower its share of the UK rebate, maintains that only those present at the summit – in other words foreign ministers – are competent to unravel the confusion.

One option for the West German presidency is to put the budget issue on the agenda of the informal meeting of EC foreign ministers it is hosting this weekend at Lake Constance. The urgency is that the European Parliament must receive a draft budget this month, if the May 31 deadline that Bonn has set for completing all work on the budget reforms is to be met.

Kadar resists growing pressure in Hungarian party to resign

BY LESLIE COLITT IN BUDAPEST

ONE OF the few popular leaders in Eastern Europe, Mr Janos Kadar of Hungary, appears to be resisting growing pressure from the party's central committee to resign at a special party conference in May.

"We detect a degree of chaos in higher party circles," a Western diplomat in Budapest said. "The sense that no-one is in charge stems from an unresolved leadership struggle."

A knowledgeable Hungarian party official, however, said he would not take any bets on Mr Kadar stepping down "until the day before" the party conference. He claimed there was pressure to change senior officials around the party leader but not Mr Kadar himself.

Paradoxically, Mr Kadar, who gained a reputation as a reformer after the 1956 Hungarian uprising, is seen by younger members in the "inner circle" of the central committee as impeding further economic and political reforms. But the 75-year-old leader is said by Hungarian officials to be convinced that only he could prevent serious social unrest arising from Hungary's present economic difficulties.

Hungary's politically ambitious Prime Minister, Mr Karoly Grosz, is widely regarded as the leading contender to succeed Mr Kadar. However, he is said to feel it is too early after assuming his post last June to mount a frontal assault on Mr Kadar. The Prime Minister's dilemma, however, is that the longer he waits the greater the nation's economic and social problems may weigh him down.

Party officials note that Mr Kadar offered to resign in 1972 but was "asked" by the central committee to stay on. The situation now is that many influential central committee members would like to see him retire while he can still do so gracefully.

"In my view the party is losing its leading role," a well-placed party official complained. "The party is no longer an initiator." By remaining in office Mr Kadar was taking "a great risk," he said. The implication was that he might be forced to resign between now and the next party congress in 1990.

One problem haunting Mr Kadar is the 1956 uprising. Demands have been raised inside the party and elsewhere for the rehabilitation of Mr Imre Nagy, the late popular leader of the uprising. Along with other party officials, he was executed by Moscow, which backed Mr Kadar.

Mr Nagy's posthumous rehabilitation and the public blot which would result on Mr Kadar's lofty reputation is believed in Budapest to be inevitable whenever he resigns.

Poles to get view of Italy

By John Wyles in Rome

PLANS ARE afoot to confer on the citizens of Poland a televisual delight which the nation's most revered son, Pope John Paul II, has been sampling for 10 years.

General Wojciech Jaruzelski, the Polish leader, has decided to make his own contribution to *glasnost* by agreeing in principle that Italy's premier public television channel, Rai Uno, should be beamed down for the edification of the citizens of the Warsaw region.

The Church has reportedly given the project a very positive blessing, not unmindful perhaps of Rai Uno's scrupulously extensive reporting of papal activities.

If these will be guaranteed high ratings on the banks of the Vistula, one can be much less certain about other elements of a daily fare based on exuberant variety and song shows, American films and series, and political talkfests.

These will presumably run up against a massive linguistic barrier since Italian is far from being a second or third language in Poland.

Its standing could improve, however, if a proportion of the several thousand Polish refugees who have arrived in Italy since last summer change their minds about seeking greener pastures in the US and elsewhere and return home.

Presumably the wily general is less concerned than the Italian Interior Ministry may be that the image of Italy projected by the Rai will strengthen this exodus.

Certainly a knowledge of Italian will be of little help in grasping the complicated and frequently insignificant minutiae of domestic politics which dominate news programmes.

The Polish leader will surely have weighed the impact of the Rai's extensive coverage of foreign news on his fellow countrymen.

But since Mr Mikhail Gorbachev last year ended the traditional Soviet jamming of the BBC World Service and of Voice of America, the General may feel that letting in Rai Uno is hardly at the leading edge of *glasnost*.

But this would be the first time that any East European country has parted its curtain to allow in foreign television broadcasting, although cross-border spillage does apparently allow Estonians to sample Finnish TV and East Germany cannot avoid the transmissions from its western neighbour.

A Rai team will be leaving for Warsaw shortly to negotiate details of the arrangement, which will include the financing of a ground transmitter in the Polish capital

Leader of Italy's Social Democratic Party quits

BY JOHN WYLES IN ROME

THE fortunes of Italy's small Social Democratic Party have taken a turn for the worse with the resignation of the genial Mr Franco Nicolazzi from the party leadership.

"They are trying to turn me into our lord of the bribes," said a plaintive Mr Nicolazzi when it became clear that he would face a second investigation by parliamentarians into public works contracts placed while he was minister for public works from 1981-87.

In Italy an inquiry by a parliamentary committee precedes any possible public prosecution and does not necessarily imply suspicion of a criminal act, so much as misuse of public office.

Mr Nicolazzi is the third consecutive social democratic secretary to resign under suspicion of wrongdoing – he took over in 1985 from Mr Pietro Longo, who was caught up in the P2 masonic lodge scandal.

He has faced growing opposition from within his party following a slide in the social democratic vote from 3.8 per cent in 1983 to 2.4 per cent last year. Since then several local councillors and party members have defected to Mr Bettino Craxi's Socialists.

Until the weekend, Mr Nicolazzi had seemed determined to ride out allegations of impropriety in the so-called "golden prisons" affair. This involved contracts worth L700bn for 13 new prisons given to companies alleged to be run by friends. Last week the director general of his old ministry, Mr Gabriele Di Palma, who was also once head of Mr Nicolazzi's private office, was arrested by Swiss police while trying to walk illegally into Switzerland. He was accompanied by employees from a company involved in prison construction and claimed that he was being politically persecuted.

Meanwhile, Genoa magistrates yesterday sent documents for a second parliamentary investigation concerning contracts for prisons and other public works placed during Mr Nicolazzi's period in office whose approval may also have involved the former Christian Democrat Minister for Justice, Mr Clelio Darida.

Meanwhile, a separate investigation by the Italian Court of Accounts has revealed some extraordinary delays and cost overruns in prison construction between 1972 and 1987. Turin prison, for example took 11 years to build at a cost 33 times greater than originally assessed, while another at Avellino took 22 years at a cost of L20bn rather than the L900m originally allocated.

Norway freezes dividends along with earnings

By Karen Fossli in Oslo

DIVIDEND PAYMENTS will be affected by Norway's temporary wage and price freeze, which has been imposed until formal legislation can be passed.

Under the freeze, companies cannot pay shareholders a higher dividend than last year in terms of percentage of their share capital and companies established in the past year will not be allowed to pay a dividend on their first year's operations.

The proposed freeze, however, does not affect dividend payments from fully-owned subsidiaries of larger companies.

Although Mrs Gro Harlem Brundtland, the Prime Minister, declined to give details of the formal law which is to be implemented this spring, Mr Bjoern Skogstad Aamo, the Finance Secretary, said there would be a general freeze in the law affecting dividend payments, but that modifications for certain companies, on a case-by-case basis, could be made.

There seems to be broad agreement among Norwegian brokers that the dividend freeze does not have as important implications for competitive industries as does the wage and price freeze, which they describe as a positive development.

"Investors, of course, will not like it, but it's not that detrimental," said a broker from the Oslo-based Carl Kierulf brokerage.

The law is expected to last until next year's round of wage negotiations.

French economy grows 2.1%

BY GEORGE GRAHAM IN PARIS

FRANCE'S economy grew by 2.1 per cent in 1987, the national economics institute, Insee, reported yesterday, exceeding previous forecasts and maintaining the growth rate of the previous year.

Domestic demand remained stronger than expected in the first half of the year, and its slowdown since the last quarter of 1987 has been more gradual than the state economic forecaster had predicted.

Insee is also now revising its forecast for inflation this year to around 1.5 per cent, compared with an earlier projection of 1.8 per cent, and believes that France's trade deficit may be smaller than forecast.

Household consumption in 1987 was the main source of economic growth, accounting for 1.7 percentage points of the increase in gross domestic product.

The other major positive element was stockbuilding, which most forecasters had expected would become a negative factor in the course of the year. Although destocking began in earnest in the second half, stocks still accounted for 0.9 percentage points of GDP growth during 1987 as a whole.

Service industries showed the fastest growth, accounting for 0.9 percentage points of GDP growth, while manufacturing, construction and trading were the other main expanding sectors.

The Insee report carries a sting in its tail for the government of Mr Jacques Chirac, however. Despite Mr Chirac's declared intention to reduce taxation, his time in office has seen the total burden of taxes – already one of the heaviest of any industrialised nation – rise to 44.8 per cent of GDP.

The increase, despite some tax cuts in Mr Chirac's last two budgets, comes largely from the increase in social security charges and from a rise in value added tax payments linked to the surge in consumption – and especially in the purchase of highly-taxed cars.

Plan to ease Third World debt

BY PAUL BETTS IN PARIS

A SERIES of measures to ease the debt burden of developing countries, including the indexation of Third World debt on the evolution of raw material prices, were proposed yesterday by Mr Jacques Chirac, the French Prime Minister.

Indexation of debt repayments on world commodity prices, he argued, would create a more equitable system to help resolve the international debt crisis. Developing countries were not responsible for the volatility and disorder of world commodity prices, provoked essentially by the West, on which their economies depended.

Mr Chirac also suggested that the interest paid by developing countries, especially African states, on their debt should be disconnected from the general evolution of interest rates in the international monetary system.

"It is not the fault of developing countries if the international monetary system is in a state of anarchy," he said at a news conference outlining his foreign policy in the run-up to the French presidential election at the end of next month.

He made a third proposal to help resolve the international debt crisis by calling for a big effort to recapitalise the international organisations involved in the debt problem. He said only "timid" progress had been made so far on this front, adding that developing countries needed longer debt rescheduling terms.

Nervous Greeks seek certainties in Brussels talks with Turkey

Critics are sceptical about the results of the Davos meeting, says Andriana Ierodiaconou

DR ANDREAS PAPANDREOU, the Greek Prime Minister, is preparing for the second summit meeting in five weeks with Mr Turgut Ozal, his Turkish counterpart, to be held in Brussels at the end of this week.

But the mood at home over his handling of Greek-Turkish relations ranges from puzzlement to profound scepticism. This contrasts sharply with the initial enthusiasm for the "No war" pact struck by the two prime ministers during their first landmark meeting at the end of January in Davos, Switzerland.

Enthusiasm waned quickly as details of the Davos talks sank in. This was reflected in a flood of press commentaries and party political statements, including rumblings from within Dr Papandreou's own Socialist Party (PASOK). They all pose the same basic question: did Dr Papandreou achieve an historic success in Davos, or was he drawn by Mr Ozal into committing an historic diplomatic gaffe?

Commentators have pointed out that Dr Papandreou planned and executed the Davos exercise singlehanded, taking even his own Foreign Ministry, and certainly his party, by surprise. Whereas Mr Ozal is said to have gone to the Swiss talks flanked by a battery of advisers, both civilian and military, Dr Papandreou was accompanied only by one diplomatic adviser and the foreign minister, Mr Karolos Papoulias.

Moreover, the two prime ministers reportedly conducted their talks in English, effectively excluding Mr Papoulias, whose foreign language is German.

The key issue is why Dr Papandreou chose so abruptly to abandon the two conditions he had insisted upon since coming to power for launching a dialogue with Turkey - Ankara's recognition of the legal status quo in the Aegean, and the withdrawal of Turkish troops from Northern Cyprus.

The Prime Minister asserts that a dialogue was rendered imperative by the March 1987 crisis, in which Greece and Turkey came close to war over oil prospecting in the Aegean. Many people dismiss this. "Can we possibly believe that it took the March crisis to make the Prime Minister realise that the state of Greek-Turkish relations harboured the danger of a military flare-up?" one commentator asked.

Dr Papandreou's critics ask why he chose to abandon the position, reiterated ad nauseam by government officials in the run up to Davos, that the talks there would touch on one subject and one subject only. This was the Greek proposal for a joint recourse to the International Court of Justice (ICJ) at the Hague on the delineation of the Aegean Continental Shelf.

By Dr Papandreou's own admission, the issue of the Continental Shelf was "shelved" at Davos. Instead, it was agreed to set up a joint committee to examine the full range of bilateral problems. Again this represented an apparent departure from the standard Greek position that the only negotiable issue is that of the shelf.

The most pointed questions that are being raised concern Cyprus. Dr Papandreou has insisted that Cyprus remains a Greek priority. He tabled a proposal for the full demilitarisation of the divided island, he says, to which Mr Ozal said neither yes nor no, thus leaving the issue open.

Dr Papandreou has also drawn fire upon himself by his decision to drop the question of Turkish troop withrawal as a precondition for talks with Turkey. He admits that he failed to press Mr Ozal over the emotive issue of the 1600 people alleged to be missing since Turkey's 1974 invasion of Cyprus.

There is a more far-reaching debate underlying the questions raised by Davos, however. Has the "No war" pact overturned the established Greek strategy of trying to wrest concessions from Turkey through the European Community on the one hand and the US on the other?

So far, Greece has indicated that unless its terms are met it will not ease its opposition to the upgrading of Turkey's relations with the EC, regarded by the Greek Foreign Ministry as the key bargaining card against Turkey on the Cyprus problem. However after Davos the question has been raised about the extent to which Athens can sustain this opposition while itself being engaged in developing relations with Ankara.

In terms of the US, Dr Papandreou himself has indicated that a dramatic change of policy is afoot. The Prime Minister created shock waves when he told military officers in a speech three weeks after Davos that "the triangle, whereby Greece has pressed the US to press Turkey to solve our problems, has historically been overtaken by events." Generating just this kind of triangular pressure has so far been the central goal of Greece's negotiating strategy in talks on the renewal of the 1983 American Bases Agreement, through which Athens hoped to see progress in Cyprus and the Aegean. Has that policy now been abandoned, or not?

The answer to the questions raised by Davos may be provided by the parliamentary debate on foreign policy, scheduled to take place after Dr Papandreou's return from Brussels. Meanwhile all Greek eyes will be on Brussels, hoping for clues.

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Tehran defiant after being hit by 14 missiles

BY OUR MIDDLE EAST STAFF

IRAN REACTED defiantly yesterday to a sustained barrage of Iraqi missiles launched against Tehran in what diplomatic observers saw as a desperate bid to bring about a diplomatic solution to the conflict.

"Only the language of force can bring the Baghdad rulers to their senses, and we will demonstrate who has the real power," a military spokesman said.

Iraq boasted that it had fired 14 surface-to-surface missiles since Monday night in a sudden escalation of the war probably reflecting Baghdad's mounting frustration over the failure of the the UN Security Council to adopt a resolution on an arms embargo against Iran.

Tehran vowed retaliation but was clearly shaken by blasts caused by the projectiles. Five of them struck on Monday and the others yesterday, killing at least 16 civilians.

Western military analysts were puzzled as to how Iraq had obtained the capacity – for the first time since the war began in September 1980 – to hit Tehran with missiles. The Iranian capital is 300 miles from the front-line.

Iraq may have succeeded in extending the range of its Soviet-manufactured Skud B missiles, they said. However, it is also reported to have been supplied with SS12s.

The onslaught on the Iranian capital was evidently prompted by the launch of two similar weapons against Baghdad on Sunday.

The bombardment started on the eve of the departure from Tehran of Mr Turgut Ozal, the Turkish Prime Minister. The attacks were suspended for two hours around midday after an appeal by him to President Saddam Hussein of Iraq.

Mr Ozal said on Monday that he was willing to assist in finding ways to end the war but was not seeking to mediate.

One of the subjects which he discussed with Mr Mir-Hossein Moussavi, the Iranian premier, was the construction of an oil pipeline – estimated to cost $8.5bn – to Turkey's Mediterranean coast, which would substantially increase Iran's export capacity.

Mr Ozal, who was accompanied by 170 businessmen, officials and journalists on his three-day visit, said on his return to Ankara that the missile strikes "increased our awareness of efforts to make peace".

On Monday, Mr Ali Akbar Velayati, Iranian Foreign Minister, sent a message to Mr Javier Peres de Cuellar, UN Secretary-General, protesting against Iraqi air raids, in an appeal apparently aimed at thwarting moves in the Security Council towards imposing an arms embargo on Iran.

Four Libyan jet fighters landed yesterday at an Egyptian airfield, the state-run Middle East News Agency reported, AP writes from Cairo. It gave little additional information except that that the aircraft were Soviet-made Mig-23s.

US officer to be put on 'trial'

KIDNAPPERS of a US Marine officer serving with the United Nations in Lebanon said in a statement released yesterday they would put him on "trial", claiming that his record contained espionage crimes, AP writes from Beirut.

The typewritten Arabic statement from the Organisation of the Oppressed on Earth, which was delivered to a Western news agency, said the "trial" would begin once the interrogation of Lt Col William Higgins was completed.

The organisation has alleged that Col Higgins worked for the US Central Intelligence Agency. Both the US and the UN denied it.

Howard Schissel in Libreville reports on a new find in Opec's smallest member

Oil strikes set to transform Gabon

THE GABONESE oil industry in central Africa has received a new lease of life from a major onshore discovery by Shell Gabon, the local affiliate of the Royal/Dutch Shell group, in association with Elf Gabon, the offshoot of the French national company, Elf Aquitaine.

New production from this find will boost Gabon's output by 50 per cent to about 12m tonnes in 1990, and has transformed the country into a major international oil prospect.

Before Shell uncovered the Rabi-Kounga field in 1986, it was generally believed that with estimated reserves of 600m barrels *Gabon's oil potential was limited* and production would rapidly fall-off.

"Without the Rabi-Kounga discovery", said Mr Fidèle Waura, an Elf Gabon spokesman, "Gabon's output would have slipped to under 6m tonnes in 1990."

But now Gabon's onshore territory has become an oil province of considerable potential and a surge in exploration is expected over the next few years.

Although Gabon, a former French colony, has been an oil producer since the late 1950s, nearly all its output came from small offshore fields southwest of the Port Gentil oil centre. Production peaked at just over 12m tonnes in 1976 and has been waning ever since.

The smallest member of the Organisation of Petroleum Exporting Countries (OPEC), Gabon produced 8.5m tonnes in 1987, making it the third largest oil producer in sub-Saharan Africa after Nigeria and Angola. As output climbs, Gabon will reinforce this position by distancing itself from other small regional producers like Cameroon and Congo.

According to Mr R.M. van der Berg, Shell Gabon deputy director-general, reserves in place at Rabi-Kounga can be estimated at around 1.2bn barrels. Oil industry sources in Libreville say that recent drilling operations on and around the field show that a figure of 2bn barrels is a better estimate. Moreover, the recuperation rate is extremely high at between 40 and 50 per cent.

Work is continuing to improve the delineation of the Rabi-Kounga field. Shell announced in late January that a drilling rig to the east of the field hit oil. Drilling has yet to be undertaken on the western side of Rabi-Kounga, so more good news cannot be ruled out. In addition, just to the north of the Ogooué-Dianongo block, also jointly held by the Shell-Elf tandem, two of three drilling rigs were positive.

Both companies will be intensifying exploration efforts, specially seismic surveys. They are seeking to gather better knowledge of the little explored inland basin. Since they have to relinquish a good portion of their onshore holdings by the end of 1991, Elf and Shell want to retain the zones with the greatest hydrocarbon potential.

A $500m development programme for Rabi-Kounga is underway. It entails the drilling of at least 53 wells and four gathering stations serving a central production facility. Output is expected to reach 4m tonnes a year by 1990.

Two pipelines are being built to transport the crude to existing facilities. Shell is working on a 90 kilometre line to its installations at Gamba, while Elf will construct a 120 kilometre pipeline to its terminal at Cap Lopez, near Port Gentil. The viscosity of this oil is such that it must be preheated to flow through the pipeline.

Work in this rugged malaria-infested forest region is expensive, as there are no facilities in place. An airstrip is being built at the Rabi-Kounga site and over 100 kilometres of new roads and living quarters for the crews.

Less than two years ago, forecasters said Gabon's oil output would fall to 6m tonnes a year by 1990. The latest projection is double that. Now the onshore territory of this former French territory has become an oil province of considerable potential and a surge in exploration is expected over the next few years, starting with a $500m development programme for Rabi-Kounga region.

The Shell discovery has radically altered the strategy of oil companies in Gabon.

"I am convinced that in the years to come Gabon could again double its level of new reserves," said Mr Dave Norman, director general of Tenneco Gabon.

He is not alone in this appraisal. Ten companies bid to operate on the 14 blocks available in the third bidding round that closed last November.

Among the bidders were Elf, Conoco, Broken Hill Properties, Amerada Hess, Atlantic Richfield, Petrofina, Tenneco, Sun Oil, Shell and Transworld. Awards are expected this month. Bidding for a number of offshore blocks still remains open.

It was Block B, situated onshore behind Libreville and stretching to the frontier with Equatorial Guinea, that attracted the most attention. The stakes are high for the companies as this is the last acreage available in Gabon before 1992.

Meanwhile, a relatively high level of exploration activity is expected this year. Tenneco, the second largest leaseholder in the country with five permits covering 9,500 square kilometres, is moving its exploration programme into high gear. Mr Norman said that between $25m and $30m is to be spent in 1988 on three exploration and two development wells on acreage acquired during the second bidding round.

The Houston-based conglomerate became Gabon's fourth oil producer last year when three small offshore fields on the Obando Marine permit went on stream. Output in 1988 should be just under 1m tonnes.

Amoco has met with tough *luck in Gabon.* It struck oil *off*shore in the early 1980s. However, the West Oguendjo field never lived up to expectations. It currently produces only 650,000m tonnes a year, half its previous flow.

The Chicago-based group is launching a $25m investment programme, to push output back to around 1m tonnes at West Oguendjo.

Other American oil companies are also intensifying their exploration. Conoco is drilling its first wildcat on the promising offshore Simba block, in which it is partners with Exxon. Sun Oil, after completing seismic studies, is scheduled to begin drilling on its offshore Oyan Marine acreage.

The Dallas-based independent, Triton Energy, farmed out 80 per cent of its interests to Atlantic Richfield for $20m on its offshore Tchibobo Marine permit, located on the extreme southern portion of the continental plateau along the maritime frontier with Congo. The reinterpretation of existing seismic data and some new surveys revealed a number of interesting structures to drill on this acreage, Triton sources noted.

According to Mr Waura, Elf and Shell have planned a nine well programme on and around Rabi-Kounga in 1988. Budgetary restrictions, however, could force some retrenchment

S Africa law to stem 'political' cash funds

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday dealt a further blow to extra-parliamentary opposition by introducing draft legislation to prevent foreign funding of organisations with broadly defined "political purposes."

The proposed law also includes new penalties for the flying of proscribed banners, badges and insignia which could be used to curb the activities of extreme right wing para-military organisations like the Afrikaner Weerstandsbeweging (AWB).

The likelihood of action against the AWB was reinforced later when Mr Adriaan Vlok, Minister of Law and Order, announced that the organisation was being investigated under the Internal Security Act following last Saturday's march on the union building in Pretoria by armed and uniformed AWB members.

Mr Vlok was speaking in an emergency debate called by Mrs Helen Suzman, a leading opposition MP, in which she castigated the government for its repression of extra-parliamentary groups and heavy handed treamtent of protesting clergymen this week.

The proposed "Promotion of Orderly Internal Politics Bill" will add to the difficulties of extra-parliamentary political and church groups which have relied heavily on foreign financing.

The 17 major opposition groups like the United Democratic Front were banned from effective operation last week. When the latest law comes into effect it is expected drastically to curtail the activities of remaining organisations like the Institute for a Democratic Alternative South Africa founded by Mr Frederik van Zyl Slabbert, former leader of the *Progressive Federal Party.*

Heavy funding by overseas churches for religious organisations like the South African Council of Churches will also come under closer scrutiny and undermine the stated intention of leading clerics like Archbishop Desmond Tutu to play a greater political role in the struggle against apartheid.

● A busload of South African Air Force personnel escaped unhurt when a powerful remote controlled bomb exploded as the vehicle drove through the Johannesburg suburb of Benoni yesterday.

Group Areas Act defied

SOUTH AFRICA'S biggest company, the Anglo American corporation, has started letting apartments to blacks in Johannesburg in defiance of government threats and a law which is one of the keystones of apartheid, Reuter reports from Johannesburg.

Mr Gerald Leissner, managing director of Anglo American's property division, said yesterday that new tenants in its two Johannesburg residential properties were being taken on regardless of race.

The move brought a swift reaction from Mr Piet Badenhorst, Deputy Minister of Constitutional Planning, who said it was a crime to defy the so-called Group Areas Act and said there would be prosecutions.

Mr Leissner said Anglo American, South Africa's biggest company and a multi-national conglomerate, was acting for commercial reasons. "This step has no political connotations at all," he said. The 38-year-old law bars blacks from areas designated for whites.

About 55,000 blacks live illegally in central Johannesburg.

Taipei 'young Turk' MPs call for policy changes

BY BOB KING IN TAIPEI

A GROUP of 12 "young Turks" from Taiwan's ruling Nationalist Party have called for a drastic revision of policies toward China, greater participation in international affairs, and amendment of the constitution. The statement was strongly at odds with the Taiwan Government's official views.

This suggests that there is a widening gulf between the younger Taiwan elected faction of the party and the old guard, who continue to view mainland China as the ultimate enemy and who oppose liberalisations within Taiwan.

The statement, one of the strongest and most critical in memory here, came as the Cabinet rejected – for the moment, at least – direct trade ties with China. An opposition member of parliament had earlier questioned the Government on its trade policies, which now appear tacitly to sanction indirect but substantial trade links with the mainland.

Indirect trade through Hong Kong alone last year was up 59 per cent to £862m – most of which represented exports of Taiwanese manufactured goods to China.

The Nationalist legislators' statement closely reflected sentiment among both the younger, more progressive members of the ruling party and their more moderate colleagues in the opposition. It called for further reform and liberalisation, and said the Government should "face the reality" of recognition of Peking on the international scene.

It also said the Government should replace "strongman" rule with the rule of law, and drastically revise the so-called "temporary provisions during the period of communist rebellion," which to some extent still limit the terms of the constitution.

It added that the Government should seek to rejoin international organisations such as the Asian Development Bank, Gatt, and the International Monetary Fund without concern for the name of the Taiwan delegations.

Japan industry's production climbs by 9.6%

JAPAN'S industrial output in January jumped by 9.3 per cent compared to the same month in 1987, confirming the country's continued economic recovery from the worst effects of the yen's appreciation against foreign currencies, **Carla Rapoport reports from Tokyo.**

According to government statistics, mining and manufacturing output scored its eighth consecutive *monthly increase in* January, and the largest gain since November 1984. All industrial sectors reported good growth in the month, apart from transport machinery, petroleum and non-ferrous metals.

The strongest components of Japanese industrial growth in January were computers, air-conditioners, ships, computer games, cement and other equipment related to the construction industry.

US urged to drop UN move over PLO

Washington's allies are joining the call for the US not to violate its treaty with the United Nations by closing the observer mission of the Palestine Liberation Organisation, AP writes. Representatives of the 12-nation European Community, Canada, Australia and New Zealand were among critics.

Senegal ponders causes of riots

BY SIMON CLARKE IN DAKAR

POLICE patrolled the streets of the Senegalese capital Dakar yesterday after Monday's violent protests against election results which showed a comfortable victory for President Abdou Diouf.

Mr Abdoulaye Wade, leader of the opposition Senegalese Democratic Party (PDS), was arrested late on Monday night, along with two senior party officials, after a day of clashes between students and police. A PDS comunique issued in Paris yesterday, which described the elections as a "fraud", said two people had been killed in Monday's clashes.

The government has imposed an all-night curfew, and riot police supported by armoured personnel carriers patrolled the city yesterday. Barbed wire barricades were held ready, and the debris of burned-out cars and stones was cleared from the streets.

According to official figures, 260 people have been arrested, althought the actual total is thought to be much higher. Offenders can be held for up to two months under the state of emergency imposed by the government on Sunday.

The ruling Socialist Party of President Diouf and its predecessor, the Senegalese Democratic Union, have been in power since the country won independence from France in 1960.

Monday's violence appears to have taken both government and opposition parties by surprise, and reflects growing discontent among Senegal's youth. Nearly 50 per cent of the population is under 16.

AMERICAN NEWS

Panama's political pantomime mixes the media and the message

A WRITER in Rolling Stone, the US magazine, recently encapsulated his view of Panama's opposition as "like watching Mom and Dad rioting down at the mall".

As the opposition's business-led strike aimed at overthrowing Gen Manuel Antonio Noriega, the country's military strongman, sputtered into life this week, a US TV network producer trumped this, describing the half-cock movement as "like being overrun by stampeding hamsters".

By yesterday, there were signs that the strike was taking hold, both in industry and in Panama's pride and joy, the 120-bank international finance centre. But the television networks, increasingly the conduit through which both sides in the Panama crisis speak to each other and to the US Administration, already had good reason to be sceptical.

After Sunday mass in a residential district church, on the eve of the strike, some 70 well-heeled supporters of the opposition Civic Crusade emerged garbed in white, the symbol of the protest movement, chanting anti-Noriega slogans.

Mr Aurelio Barria, leader of the Crusade and the Chamber of Commerce, drew up in an air-conditioned jeep. He jumped out, walkie-talkie in hand, and addressed the waiting cameras of Cable News Network (CNN) in yet another appeal for US support to topple Noriega.

Then, someone shouted: "The police are coming." Mr Barria sped off in his Wagoneer, a swirl of shrieking white. The crowd evaporated into thin air, leaving a cluster of journalists and no sign of the police anywhere.

CNN has now become the preferred messenger for deposed President Eric

David Gardner takes a sceptical look at General Noriega and the well-heeled Civic Crusade opposition

Arturo Delvalle. Last week Mr Delvalle became the fifth civilian president to be shoved aside by the 15,000-strong National Guard since 1982, thus sparking the current episode in the crisis.

Mr Delvalle is now believed to be hiding out under US protection in the Panama Canal Zone. He sends daily tapes to CNN denouncing the general and his staff as a clique of drugs and arms traffickers who have turned Panama and its strategic waterway into their private estate. In yesterday's instalment he said Gen Noriega was now in thrall to former Communists inside the pro-military Democratic Revolutionary Party (PRD).

General Noriega prefers to take his chances with CBS. He gave two interviews in recent weeks, punctuated by non-sequiturs and silence, to the no-punches-pulled 60 Minutes programme. He has also appeared on Spanish television, where he spent more time praising the interviewer for his astute questions than answering them.

The general appears to have given up trying to rebut the barrage of allegations from Washington, former associates, and the two federal grand juries which have indicted him on serious drugs charges. Instead, as he digs in, he looks happier with the set-piece photo opportunity.

On Monday night, he went to a rally in the working-class bastion of San Miguelito, going back to the roots planted by his magnetic predecessor, Gen Omar Torrijos. Gen Torrijos wooed Panamanians with his flamboyant populist nationalism from a coup in 1968 to his death in a mysterious 1981 air crash, attributed by some dissidents to Noriega.

The 3,000-strong crowd, mostly of poor blacks and mostly ambivalent, was laid on by the Torrijista "Tendency", a coalition of left-wing nationalists and former Communists emerging as the only faction within the PRD capable of providing a civilian support structure for Noriega.

The general let his new, off-the-peg president, former Education Minister Manuel Solís Palma, do the speaking. He called Noriega "a leader of continental magnitude", saying "What we have here is not a general who commands and a president who obeys, but two united friends working together for the good of the people".

Cut to photo opportunity of the two together, the diminutive general holding up the President's arm in a victory salute.

The orchestrated chants mixed "Omar, Omar, not one step backwards" with aggressive demands that foreign journalists "Tell the truth, tell the truth".

The truth is that Panamanians have always followed charismatic leaders, like Torrijos. At the moment they have none, on either side, and CNN is no substitute.

Indicators confirm slowdown in US

By Lionel Barber in Washington

THE US Government's main economic forecasting gauge dropped 0.6 per cent in January but an upward revision in the index of leading indicators for December lessened fears of a recession this year.

The decline in the January indicators, sharper than some private economists had forecast, confirms the expected slowdown in the US economy in the first quarter.

However, the bond and equity markets reacted calmly in early trading because the US Commerce Department revised December's figures from a 0.2 per cent fall to a 0.3 per cent increase.

Market psychology in the US has tended to assume that three successive declines in the leading indicators signals an impending recession. After consecutive falls in October and November, December's revised figures had therefore taken on added importance.

A separate Commerce Department report said that construction spending fell 2.9 per cent in January, the biggest decline since a 3.2 per cent fall in March 1987. Last December, construction spending rose 0.4 per cent.

Mr Allen Sinai, a leading US economist with the Boston Company, writing in a recent economic bulletin, said: "Most news on the economy will continue to indicate weakness, keeping the possibility of a recession in play."

Five of the nine leading indicators in January contributed to the fall in the index. The largest negative contributors were average weekly initial claims for state unemployment insurance, building permits and manufacturers' orders for consumer goods and materials.

However, four indicators were positive, with stock prices and money supply making the two largest contributions. These positive signs on the economy have been reinforced by continuing declines in the US unemployment rate and a strong US export performance.

The Reagan Administration forecasts a 2.4 per cent growth rate this year. Some economists believe fears about the fourth-quarter GNP estimate - which suggested a slump in consumer demand and a pressing inventory problem - were exaggerated.

US insurer in toxic wastes plan

By Nick Bunker

A BIG US insurer, the Hartford Insurance Group, has proposed a plan to cut radically the cost of cleaning up the nation's 27,000 known toxic waste dump sites by setting up a national agency funded by insurance companies and manufacturing industry.

It is a response to fears among US insurers and industrial companies that cleaning up chemical waste in the US could cost billions of dollars over the next 25 years, much of it in litigation costs.

The Hartford plan would involve creating a body called the Comprehensive Environmental Response Authority (Cera). It was outlined in a paper given recently by Mr Deroy Thomas, Hartford's chairman, to insurance industry executives.

He estimated the cost of reclaiming only the 2,500 worst-polluted sites at between $75bn and $125bn. Cera could reduce this because as a "single-source solution" it would make litigation between pollution victims, polluters and insurers unnecessary, he argued.

Run by the US Environmental Protection Agency, Cera would clean up the sites, compensate pollution victims and sue the polluters for its costs.

The plan is being discussed informally by big insurers, including Aetna Life & Casualty, Crum & Forster and USF&G, and by companies such as General Electric, Union Carbide, and Monsanto.

Brazilian inflation for 1988 likely to be well above target

BY IVO DAWNAY IN RIO DE JANEIRO

INFLATION in Brazil rose to 17.96 per cent in February, up from 16.51 per cent in January, giving the worst result since June last year when monthly price rises hit a record 26.06 per cent.

The outcome, slightly better than some had expected, means prices have risen by 381 per cent over the past 12 months. In 1987, Brazilian inflation was at a record 366 per cent for a calendar year.

Initial targets for 1988 aimed at holding inflation to 120 per cent, but later unpublished revised estimates by Finance Ministry economists were said to have raised the forecast to 236 per cent. Independent estimates are now giving much higher figures.

Wages concern

However, according to reports from the national statistics institute, IBGE, there is evidence that the inflation rate is slowing as the Government attempts to hold down some key controlled prices.

Concern over the impact of wages on prices has led to reports this week that the Government is considering a temporary freeze on salaries, currently increased monthly by a formula linked to inflation over the previous quarter.

The rise in prices has led this so-called Price Reference Unit to increase sharply from 9.19 to 16.19 per cent, adding heavily to labour costs.

However, any move to contain pay is certain to meet fierce resistance from the trade unions.

● The Brazilian export sector is continuing to provide the sole bright spot in the country's economic outlook, returning a surplus of $1.05bn in January.

The new figures raise the possibility of a year-end surplus of more than $11bn.

Mr Mailson da Nobrega, the Finance Minister, has put heavy emphasis in recent weeks on the need to boost exports to restore foreign exchange reserves.

Announcing the January outcome, Mr Namir Salek, director of Cacex, the government trade agency, said: "Exports can only exceed the $28.2bn projected for this year with new investment."

Nevertheless, January exports of $2.14bn exceeded many expectations.

Last year, Brazil recorded a small deficit for the month because of a surge in imports sucked in by the soaring demand that accompanied the collapse of the anti-inflationary Cruzado Plan.

Cacex officials claimed this week that the strong performance this year was due to high prices in international markets for steel, cellulose, aluminium and concentrated orange juice.

Hoechst drugs recalled

By John Barham in Sao Paulo

BRAZILIAN health officials are recalling nine drugs produced by Hoechst's Brazilian subsidiary because of concerns that the drugs might have been made with blood containing AIDS antibodies.

Hoechst, the West German chemicals and pharmaceuticals group said yesterday that its products "are not capable of contaminating or infecting" patients, because antibodies do not transmit AIDS.

Last week, state government laboratories in southern Brazil found that the products contained AIDS antibodies and so tested positive for AIDS. That prompted other states to seize the drugs, which include human albumin and gamma globulin, which are all made with blood derivatives.

Mr Sinesio Fogaca, a Hoechst executive, said: "The big problem is that the population is easily frightened and does not know the difference between AIDS and the antibodies." Patients taking the drugs will test positive for AIDS for about six months.

Hoechst said the lots found to contain the AIDS antibodies were produced prior to 1986, when AIDS screening became mandatory. The drugs have a shelf-life of five years. Mr Fogaca said blood used before 1985 was rigorously purified and cannot transmit any disease.

Mexico claims success against price rises is within reach

BY WILLIAM ORME IN MEXICO CITY

A MODIFIED Mexican shock plan that went into effect yesterday should succeed in braking inflation in coming months but the gains will be hard to sustain without further painful fiscal corrections, economists say.

As the core of its stabilisation programme, Mexico is freezing the peso's official exchange rate and halting all price rises in state-controlled goods and services, at least until the end of March.

The Government also secured a pledge from merchants and manufacturers to hold down prices not subject to controls. Mexico's leading private business association, signing an anti-inflation pact with labour and government officials on Sunday, promised not to pass on to consumers the cost of an across-the-board 3 per cent wage raise granted under the programme.

Mr Gustavo Petricioli, the Finance Minister, said prices would be pushed up by about 3 per cent in March, down from February's 8 per cent and January's record 15.5 per cent leap in inflation. By April, he and other officials asserted, inflation would virtually cease.

More guardedly, several independent economists predicted inflation would subside to perhaps 2 per cent monthly until the end of the year if the Government continues to limit spending and boost revenues through "realistic" public sector pricing and tougher tax enforcement.

In what may be the most important result of the new programme, nominal interest rates will drop by an unparalleled 40 or 50 points this month, officials said.

Petricioli: optimistic

Mexico's volatile stock market greeted this news with a buying burst on Monday that pushed the index up 12 per cent, its fourth highest one-day rise in a year. The index continued to climb in early trading yesterday.

Mexico in recent weeks has announced austerity measures, including the accelerated sale of money-losing state industries. The so-called primary budget surplus - spending as measured directly against income - has swollen from 5 per cent of gross domestic product in 1987 to more than 8 per cent of GDP and should reach 12 per cent by the close of 1988's first quarter, Mr Pedro Aspe, the Budget Minister and principal cabinet co-ordinator of the new programme, said on Monday.

"Success is within our grasp," Mr Aspe declared with uncharacteristic exuberance. Because the programme starts with a wage boost and its price freeze is partially voluntary, Mexican officials insist it is not a "shock plan" along the lines of recent South American experiments.

But economists experienced in such programmes contend that the Mexican project's essential distinction is that it incorporates the necessarily severe state spending cuts that Brazil and Argentina failed to implement.

"It is encouraging that the Mexican programme is conceptually sound, unlike some similar programmes elsewhere, but this is the easy part," Mr Jeffrey Sachs, a Harvard economist who advised Bolivia's much-praised shock plan, said.

"As the programme progresses they are going to face increasingly difficult economic and political problems, so I would caution against excessive optimism."

The 3 per cent March 1 wage raise, though endorsed by the politically loyal official labour movement, was far below the 10 per cent increase unions had originally demanded and is arousing sharp labour dissent.

WORLD TRADE NEWS

Cars chief warns of S Korean EC imports 'flood'

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

THE rising tide of car exports from South Korea is creating a tremendous imbalance in world car markets, Mr Jack Smith, president of General Motors Europe, one of the big six European volume carmakers, warned yesterday.

Speaking at the Geneva Motor Show, he also called for greater progress to be made in opening up the Japanese car market to European exports before car import controls were eased in Europe.

He also announced plans for a big export drive by Opel, GM's West German subsidiary, into the Japanese car market.

GM is to use Isuzu, its minority-owned Japanese associate, to distribute Opel cars built in Europe, starting in 1989.

Opel now exports only around 500 cars a year to Japan, but Mr Dick McGill, GM Europe executive director, said Opel was aiming to sell 10,000 cars a year in Japan through its new offensive. "We have no intention of stopping at 10,000," he said.

South Korean vehicle production jumped to nearly 1m vehicles last year and major investment in additional capacity could take output to 2m units a year by the early 1990s.

Mr Smith said: "The European Commission should be concerned if these cars are going to flood into Europe. There does not seem to be any recognition that this is going to be a big problem."

He said it was difficult to determine a clear strategy for future imports into Europe from new producing countries such as Korea or Taiwan, but warned that "extremely high investments" in the European car industry could be put at risk.

"If developing countries which do not have a domestic market to absorb high-quality European products as a form of compensation, build up tremendous capacities to penetrate countries with a completely different cultural and social structure at prices that the developed countries cannot compete with, it raises the question as to whether free market and free trade principles can simply be adhered to."

Mr Smith said there should be a balance in automotive trade between Japan and Europe.

Last year, Japanese carmakers sold around 1.4m vehicles in Europe while only about 90,000 European-built cars were registered in Japan.

Mr Smith said the Japanese measures to protect their domestic market were road blocks to a liberal free trade policy. Progress should be made in reducing these obstacles "before gradually easing import controls in Europe."

Within Europe he called for the creation of a "true" internal market to enable carmakers to increase productivity, free more capital for research and development and make them less vulnerable to imports from other regions.

Plans by the European Commission to create a free internal market by 1992 would, he hoped, "put an end to costly differences in national exhaust emission regulations, as well as certain country-specific items such as dim/dip headlights in the UK, yellow headlights in France, special windscreens for Italy, as well as different testing procedures, different tax systems and the absence of a whole vehicle type-approval."

Fewer foreign collaborations in India

BY JOHN ELLIOTT IN NEW DELHI

THE number of foreign collaborations for industrial projects approved by the Indian Government fell last year for the second year running, to 853. A record figure of 1,024 was reached in 1985 when Mr Rajiv Gandhi, the Prime Minister, had just launched his policies of industrial and economic liberalisation. But this figure dropped to 958 in 1986.

Government figures for 1987 also confirm the growing importance of the US as India's leading industrial collaborator, replacing the UK. The US has struck more new deals than any other country each year in the 1980s, followed by West Germany and the UK.

Now it has almost overtaken the UK in the cumulative total since counting started in 1957, reaching 2,280 collaborations compared with 2,284 with the UK, 2,058 with West Germany, and 1,041 with Japan.

The decline in the total number of technical and financial collaborations is the result partly of loss of some impetus in Mr Gandhi's policies, as well as of growing international uncertainty about the future direction of the policies which have failed to remove cumbersome blockages in the Indian bureaucracy.

Japanese companies, having almost completed a series of tie-ups in the automotive and other industries, are proceeding more cautiously on new projects. Japan's total collaborations rose from 27 in 1981 to 108 in 1985 and a record 111 in 1986, and then fell to 71 last year.

The number of collaborations with West Germany fell from 180 and 183 in 1985 and 1986 to 149 last year. This figure may climb again following a major exhibition of 270 German engineering, electronics and other companies called Technogerma India '88, which is to be staged in New Delhi this month. The UK total fell to 122 from 130 in 1986 and 147 in 1985.

The US is the only major country to have increased its collaborations – rising from 189 in 1986 to 196 last year, virtually the same as the 197 total in 1985. Encouraged by the US Government, American companies in industries such as electronics, engineering, chemicals and consumer goods are not showing the same restraint as those from other countries.

The US is also well ahead on the number of collaborations involving equity stakes, with a total of 57 financial collaborations last year compared with 39 from West Germany, 27 from the UK, and 15 from Japan.

● The Indian Cabinet has deferred a decision on PepsiCo's proposal for a collaboration with Voltas, part of the Tata industrial empire, and the State Government of Punjab, to market its soft drinks in India and to export fruit and vegetable products.

EC steel additive probe urged

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN producers of low carbon ferro-chromium, an additive used in making stainless steel, have asked EC trade authorities to re-open an inquiry into allegedly unfairly underpriced imports of the material from South Africa, Turkey and Zimbabwe.

The exporters involved have already been paying price undertakings – bank guarantees to bring their own prices more in line with EC competitors – for the past five years, but these are due to expire in June.

The European Commission said yesterday that it is to launch a fresh inquiry into possible dumping of low carbon ferrochromium in response to complaints from EC producers that imports from South Africa and Zimbabwe were being sold in Europe at up to 49 per cent below their price at home. "The existing undertakings have therefore proved to be increasingly inadequate," they told Brussels.

According to the EC producers, the three countries involved boosted their share of the EC market from 59 per cent to 73 per cent, up from 31,000 tonnes to 34,000 tonnes, between 1984 and 1987, while Community production fell over the same period from 42,000 tonnes to 35,000 tonnes. EC capacity utilisation meanwhile fell from 74 per cent to 61 per cent, at which level the industry is "suffering severe financial losses," says the complaint. The Commission has given all involved 30 days to put their arguments before deciding whether to impose anti-dumping levies.

Japan computer exports fall

JAPAN'S shipments of personal computers in the last quarter of 1987, including domestic sales and exports, fell 11 per cent year-on-year in volume terms to 562,000, according to the Japan Electronics Industry Development Association, Reuter reports from Tokyo.

In value they rose 12 per cent to Y180.36bn in the quarter from the same 1986 period because of an increase in shipments of more expensive machines.

Disputes sour the prospects for EC-Arab trade

BY ANDREW GOWERS, MIDDLE EAST EDITOR

THE climate for trade between the European Community and the Arab world will continue to be soured by disputes arising from protectionism and enlargement of the EC well into the 1990s, according to a report by the Economist Intelligence Unit.

Outlining the way in which the trade balance between the EC and Arab states shifted dramatically in favour of Europe in the early 1980s, it suggests that the Community's ability to sustain exports to the Arab world – let alone to expand them – will depend to a significant degree on the trade and credit it offers and on its own openness to processed Arab goods. This is especially important, the study argues, in view of stiff competition in key Middle Eastern markets from Far Eastern suppliers.

The report, written by Mr Rodney Wilson, a lecturer in the economics of the Middle East at Durham University, also reaches the somewhat surprising conclusion that Egypt may overtake wealthy Saudi Arabia as the biggest Arab market for European goods by the end of the century.

It says Egypt's imports from the EC had risen by about 3.5 per cent in 1987 and could show average annual growth of around 6 per cent between now and 1992. Its large and rapidly-growing population would provide a "substantial impetus to the country's import needs" in contrast with Saudi Arabia's maturing consumer market.

But the study's main focus is the series of disputes between the EC and Arab states over specific trade issues, including:

● The continuing row over EC tariffs on Gulf petrochemical exports. The report cites the Gulf producers as accusing the EC of imposing more protectionist tariffs in 1987.

● Arguments with North African states connected with the accession of Spain and Portugal to the Community and covering issues ranging from agriculture to textiles.

The main problem, according to the report, is the absence of any lasting forum for discussion of commercial issues between the two sides, given the short-lived nature of the Euro-Arab dialogue launched in the 1970s.

Euro-Arab trade: prospects to the 1990s; EIU regional forecasts series; £85 from EIU, 40 Duke St, London W1A 1DW.

China boosts investment

CHINA yesterday announced a big increase in investment abroad and plans for a joint investment with the Soviet Union and East European countries, Reuter reports from Peking.

The Economic Daily reported that in 1987 China set up 124 companies overseas with a total capital of $1.3bn, of which China's share was $350m. These included projects in gold and iron ore mining, dyeing, rubber and aluminium refining.

Peking says foreign investment is vital to its strategy of joining the world economy and making up for years lost during China's political campaigns.

The Economic Daily said China was discussing joint investments with the Soviet Union and countries in East Europe and with nations with which it has no diplomatic relations.

David Marsh looks at the reasons behind Airbus plans to seek collaboration with McDonnell Douglas

Rival airliner makers prepare to gang up on Boeing

AIRBUS Industrie will face considerable turbulence in coming months as it tries to carry out yesterday's political mandate on collaboration with McDonnell Douglas of the US.

The governments of West Germany, France, Britain and Spain, the main paymasters of the four-nation aircraft manufacturing consortium, have been driven by a variety of political and economic factors to push Airbus into full-blooded collaboration talks with the US manufacturer.

The two groups have held sporadic talks on co-operation over the past few years, with the last set of negotiations broken off in September 1986. But this time, the efforts to find a collaborative basis will be real.

Two new factors have heightened governments' desire for a deal with McDonnell Douglas.

The fall over the past two years of the dollar, the currency in which international airline sales are denominated, has exacerbated Airbus's financing problems. Its manufacturing costs are mainly in European currencies, while its income is in dollars. Even without the fall in the dollar the consortium did not expect to make any return on capital at least until the mid-1990s.

Additionally, the US Government's perennial complaints of unfair Airbus subsidies by European governments have raised the threat of a damaging trade war in which Airbus sales to the US would be hampered by sanctions.

An agreement with McDonnell Douglas on production, technological and marketing collaboration over future airliner projects would reduce Airbus manufacturing costs by transferring some output to the US and through greater economies of scale.

Further, it would take the wind out of American complaints that subsidies for Airbus were enabling the Europeans to steal market share.

European governments' views have also, however, been strongly influenced by a more structural analysis of the long-term shape of the airliner market, in which Airbus and McDonnell Douglas are very much the also-rans in the battle with Boeing.

As one French official said yesterday, it is natural that the number two and three forces in the world airliner market should explore the basis for collaboration against the number one player which accounts for around 70 per cent of airliner sales.

A consensus yesterday came to the surface among the four Airbus governments that, just as world aero-engine makers compete in some projects and collaborate in others, Airbus Industrie and McDonnell Douglas were now forced to find a framework for co-operation.

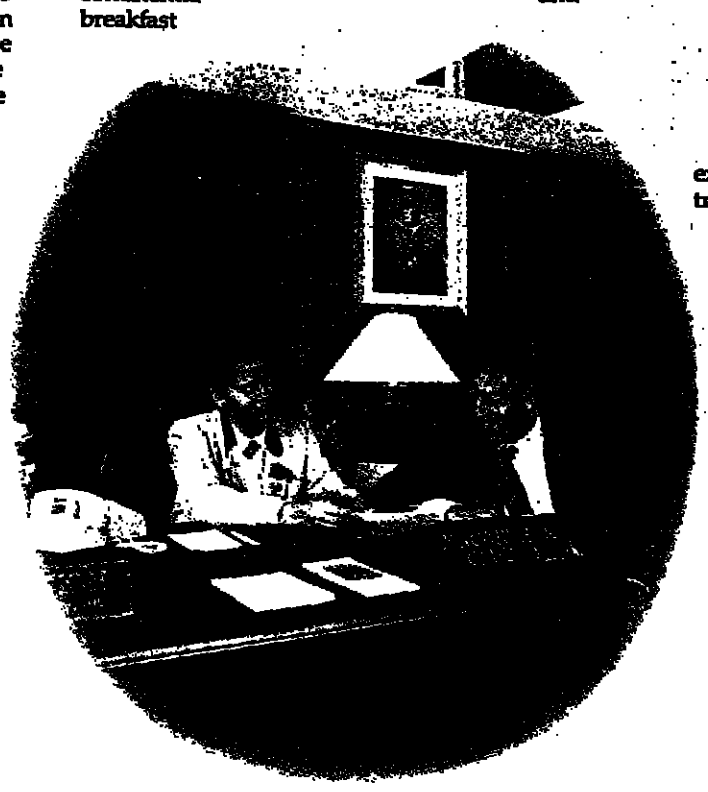
Pinpointing the exact areas, however, will be a tough challenge for Airbus Industrie negotiators and their shareholder companies in the next few months.

The most likely projects, according to Mr Henri Martre, chairman of France's Aerospatiale, were in the short-haul section of the market for aircraft of less than 150 seats and for a high-capacity long-haul aircraft which would challenge the Boeing 747 head-on.

However, memories are still alive of past contacts between the two groups in which either or both have tried to play for time rather than reach any agreement.

Talks over the next few months will be heavily influenced by competition between Airbus and McDonnell Douglas on their existing projects for longer-haul aircraft, the A-340 and MD-11 respectively. These are due to come into service in the early 1990s.

It would not be good tactics, said Mr Hanns Arnt Vogels, the chairman of Messerschmitt-Boelkow-Blohm, to ask McDonnell Douglas to give up the MD-11 and join forces with Airbus on the A-340 and its sister airliner, the A-330.



All-party MPs urge extra £1.5bn for health service

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

A HOUSE of Commons committee of members of parliament from all parties yesterday unanimously urged the Government to invest about £1.5bn more in the National Health Service during the next two years, the latest challenge to the Government's policy on the health service's funding crisis.

"We believe our recommendations represent, at a time when the economy is buoyant, a realistic programme which will bring the NHS back up to scratch and restore the morale of its staff – who represent the most fundamental and essential resource of the NHS," said the Social Services committee in its report.

Evidence collected while preparing the report, said the committee, convinced it that there are "grounds for serious concern" about the levels of service which the hospital sector will be able to maintain in 1988-89.

Mr John Moore, the Social Services Secretary, immediately took issue with some of the committee's specific recommendations and stressed that there would be "no blank cheques" for the NHS.

But health service organisations were quick to rally round the committee, which concluded that the NHS has suffered a cumulative funding shortfall of £1.896bn since 1980-81.

Both the British Medical Association and the National Association of Health Authorities said the report supported their view that the NHS needs an immediate injection of extra money.

Mr Robin Cook, the Labour opposition's social services spokesman said the report showed that "the Government cannot convince even their own backbenchers (members of parliament) that our hospitals are properly funded."

The committee makes four specific recommendations which, taken together, would cost about £1.5bn in the next two years:

- The Government should commit itself to fund fully NHS pay settlements which it agrees in 1988-89;
- The Government should make available to the health service whatever finance is necessary to cover inflation and enable a 2 per cent development in services to take place in 1988-89;
- A £96m shortfall in funding of pay and price inflation in 1987-88 should be "made good forthwith" by the Department of Health and Social Security, and a further sum of not less than £1bn should be allocated over the next two years to specific priority developments;
- Urgent attention should be given to improving measurements of the NHS' effectiveness.

Mr Moore described the committee's call for an extra £1bn as arbitrary, and said the proposed £95m to cover pay and price inflation in 1987-88 failed to take account of the additional £75m promised by the Government in December, or of resources generated by cost-improvement efficiency savings.

But the committee's recommendations will add to the pressures on Mr Moore, particularly as its Labour chairman, Mr Frank Field, has succeeded in carrying a Conservative majority with him to produce a unanimous report.

Resourcing the NHS: Short Term Issues Social Services Committee HMSO £4.20

Haughey criticises UK policy in Ulster

By Kieran Cooke in Dublin

THE IRISH Prime Minister, Mr Charles Haughey, has launched a strong attack on British security policies in Northern Ireland and defended his Government's right to investigate border shootings.

Mr Haughey, in what is considered one of his strongest statements on Ulster since coming to office 12 months ago, told the Dail, the Irish Parliament, that the circumstances surrounding the shooting of Mr Aiden McAnespie near a border checkpoint in the north 10 days ago were suspect.

Mr McAnespie, aged 23, was shot dead as he walked about 300 yards from an army post. A British soldier charged with unlawful killing has described the shooting as an accident.

After the shooting Mr Haughey set up the Republic's own police inquiry, an action which caused deep resentment among Unionists in the north and anger within the UK's Northern Ireland Office.

Mr Haughey said incidents along the border were a matter of legitimate interest to the Republic. An inquiry by the Irish police, the Gardai, was obviously necessary, he said.

This was particularly so in view of the recent controversy over the alleged "shoot-to-kill" policy among Royal Ulster Constabulary officers and the shadow that had cast over the credibility of future investigations of fatal incidents involving the security forces in Northern Ireland.

"It is this Government's view that not only are the Gardai absolutely entitled to conduct this inquiry to provide information on the killing but that they have a duty to do so," said Mr Haughey.

He also defended the Dublin Government's decision to hold, at the request of the family, a second post-mortem on the body of Mr McAnespie.

The Irish Prime Minister said recent events had created the impression that the security forces in Northern Ireland were above the law. "Any such impression among the public in Northern Ireland must have disastrous consequences," said Mr Haughey.

Mr Haughey was also scathing about the release from prison after serving only 3½ years of a British soldier who was convicted of a murder in Belfast.

Abbey National woos current accounts with £100 cheque card

BY DAVID BARCHARD

ABBEY NATIONAL, Britain's second largest building society with assets of £27bn, has launched a drive to win current account customers from the four leading clearing banks.

It has invested heavily in expensive paper-based money transmission methods so that from Monday its current account holders will be offered more incentives than those of any other building society or bank.

To woo current account deposits from its rivals, Abbey is offering the first £100 cheque guarantee card and a promise that the only charge imposed will be a flat rate £7.50 on bounced cheques. It will pay a minimum of 4 per cent on all accounts in credit, rising to between 6 per cent and 7 per cent for balances of £2,500 or more.

The society says 500,000 customers have opted for the new account. It expects 700,000 fairly soon, but is not expecting the current account scheme to make a profit for at least 18 months.

The only comparable building society cheque account is the Nationwide Anglia "flex account," launched last May. The Abbey current account will offer a higher rate of interest to depositors at the low end of the market, under £500.

Abbey realises that current account business is a better base for selling financial products other than mortgages, especially for a society which seems to be moving closer to shedding its mutual status and becoming a company with a banking licence.

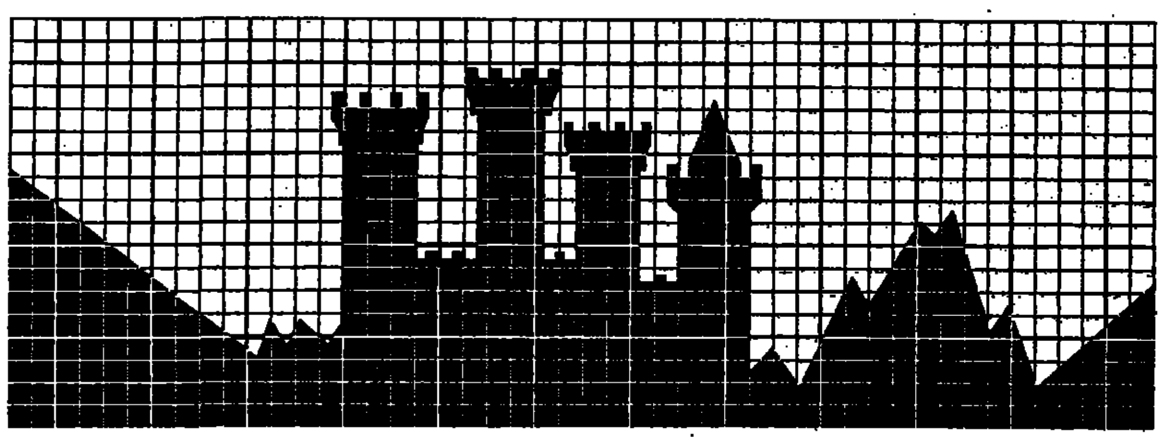
Abbey has a cheque clearing house in the City and is to join the Cheque and Credit Clearing Co., the association of cheque Clearing Banks. Most buildings societies, including the Halifax, Abbey's main competitor, have baulked at the cost of paper-based transmission.

In its eagerness to enter the current account business, the Abbey is taking risks. Until now the clearing banks have fought shy of issuing cheque guarantee cards over the £50 limit, unchanged since 1977, because of the prevalence of fraud.

Customers qualifying for the Abbey's £100 cheque guarantee card will have to earn more than £10,000 a year or have a monthly inflow of £500 to their account.

Overdraft facilities of up to £1,000 will be available for the ordinary current accounts, though not for the high rate interest accounts for which a minimum balance of £2,500 will be needed.

Authorised overdrafts will incur 1.5 per cent (annualised at 19.5 per cent) interest and unauthorised ones 2.2 per cent (annualised at 29.8 per cent.)



Space centre's future in doubt after retirement

BY PETER MARSH

THE FUTURE of the British National Space Centre appears to be in doubt following the Government's failure to appoint a successor to Mr Jack Leeming, the centre's director-general, who retired on Monday.

The centre, with a staff of 290, was yesterday in the charge of Mr Cliff Nicholas and Mr Ken Inglis, two directors, neither of whom has been appointed acting head.

Observers believe the Government may be considering the long-term future of the agency, staff of which have been in heated dispute with ministers over increases in the centre's funding.

Another argument concerned the Government's failure to publish the centre's policy proposals, drawn up last year after extended discussions with industry.

It is thought the Government is likely to appoint in the next few weeks a temporary head for the agency from the civil service.

This could be a prelude to closing the centre and transferring staff to other government sectors, such as the Trade and Industry Department.

The centre, which has a base in London and technical establishments around the country, was set up three years ago to co-ordinate Britain's space activities.

Mr Roy Gibson, the centre's first director-general, who was previously head of the 13-nation European Space Agency, resigned in August after Mr Kenneth Clarke, Trade and Industry Minister, refused to agree to his plan for a doubling of Britain's civilian space budget of about £110m a year.

The centre is responsible for administering most of this money but has no direct say over the budget, which is provided by other Whitehall departments.

Mr Gibson argued that this was an anomaly and that the centre ought to be given its own budget as a free-standing part of government.

When Mr Gibson left, Mr Leeming, previously his deputy, took over and was persuaded to stay on after his planned retirement date at the end of last year.

Staff at the centre are worried that no announcement has been made about Mr Leeming's successor. Morale has also been hit by the Government's refusal to permit Britain to enter several European space projects

An official for the centre said people were being interviewed for the post of director-general. "There will be a new director-general but I can't say when he will be announced."

Britain's space industry remains nervous about the centre's future. Mr Pat Norris, marketing manager of the space division of Logica, the software company, said: "We feel the agency has a useful role to perform and it would be bad to wind it up."

Cardiff seeks to hold Commonwealth Games

BY ANTHONY MORETON, WELSH CORRESPONDENT

CARDIFF USED St David's Day yesterday to launch its attempt to hold the 1994 Commonwealth Games.

The official application was presented to Mr Peter Heatly, chairman of the Commonwealth Games Federation, at a gathering in London which included a dozen high commissioners.

In Cardiff Mr John Reynolds, leader of Cardiff City Council, admitted that the British Government's attitude towards sanctions against South Africa could work against the city.

Applications to host the 1994 Games close on March 14. The only other declared candidates are Victoria in Canada, and New Delhi. The decision will be made at in Seoul during the Olympics.

Sir Cennydd Traherne, chairman of the Commonwealth Games Council for Wales, said £140,000 had been raised towards the £170,000 cost of mounting the bid. The games are expected to cost £50m to stage in Cardiff.

Halfords to double number of superstores

By John Griffiths

WARD WHITE, the retailing group, has doubled to 200 its planned number of Halfords motor parts and accessories superstores.

The decision, which will bring total investment in the superstores operation to more than £100m, is expected to create 3,000 extra jobs.

It follows the success of the 52 superstores already operating, mostly on edge-of-town sites, which employ more than 1,500.

The superstores are perceived as entirely complementary to Halfords' chain of 360 high-street outlets, which mainly sell smaller bulk motor and cycle parts and accessories.

The superstores sell parts as large as body panels and replacement engines and gearboxes, while many also offer car servicing.

The first outlet was opened in 1986 as part of what was then envisaged as a £50m investment, leading to a nationwide chain of 100 superstores within three or four years.

However, according to Mr Ian Staples, managing director of Halfords, which is based in Redditch, the first stores have performed better than expected, leading to more and faster expansion.

Ward White hopes to have the 200-strong network in place by 1990-91.

The second 100 stores are expected to lead to the creation of employment for 1,000 mechanics and 2,000 other jobs.

Previously, the stores have concentrated their servicing operations on simple, fixed-price servicing. Now, however, it is intended to broaden the activity to include areas such as clutch and tyre-fitting.

Halfords' move appears likely to increase competition sharply in what is already a highly competitive automotive aftermarket in which profits have long been under pressure.

However, the size of the sector – variously estimated at between £3bn and £3.5bn a year – has made it attractive for the mass retailing groups to take on the traditional garage trade.

Woolworth's B & Q operation is also developing a national chain of similar outlets.

Both are in competition with "fast-fit" specialist companies.

Nick Garnett examines the culture clash revealed by a lift truck takeover

Swedish facelift revitalises Coventry Climax

ANYONE who has spent time tramping around Britain's engineering factories knows at least two things.

The first is that a great many are dirty, dishevelled and in desperate need of having money spent on them. The other is that a lot of truth – but also a lot of hooey – is written about the yawning culture gap between British and Japanese manufacturing. The real gap is between Britain and the rest of the advanced world.

One example of the clash of cultures even within Europe is the former Coventry Climax lift truck company. Finding itself in dire straits in 1986, it was purchased from the receiver that December by Kalmar, the Swedish materials-handling and engineering group.

Since then, a Swedish imprint is slowly if not remorselessly being stamped on what is now Kalmar-Climax. It appears to be working. Output is rising steeply, but not without some suspicion on the part of the labour force.

Some of the changes are immediately visible to the visitor. The smart new reception with plants and leather furniture, rock fountain and flowers is a breakthrough in the normally dowdy heavy engineering sector, particularly in an industrial area such as Sandy Lane, Coventry, just up the road from Jaguar.

After inserting £3m of new capital in the business and another £3.7m of direct investment, the Swedish influence is making its mark in more fundamental areas. This is affecting shopfloor organisation, training and the reintroduction of apprenticeships, component rationalisation and internal communications.

Kalmar: driving to become a more powerful force in lift trucks

It has also led to the virtual scrapping of personal secretaries for managers and the banning of fish and chips in the offices. "The paper makes too much of a mess," said Mr Sven Jangnemyr, the manufacturing director brought in from Sweden.

Mr Jangnemyr, sitting, casually dressed, in front of his IBM terminal, does not pull the punches when talking about Kalmar's feelings when it took over the company, particularly the state of the shopfloor. "We were shocked. It was a mess. It was awful."

However, the Swedes are in no doubt that Kalmar-Climax will make a large and profitable contribution to Kalmar's drive to become a more powerful force in lift trucks. It broadens its truck range with Coventry-Climax's well-respected models, gives it some good engineers and gets the Swedes into the UK market, one of the biggest in Europe.

Mr Tony Sproul, the Kalmar-Climax managing director who was marketing manager before the Swedes took over, said: "We are a European company now. Before we did not know where Europe was."

With the benefit of tapping into Kalmar's existing dealer network in Europe, Mr Sproul said Kalmar-Climax would make about 1,400 of its one to six tonne trucks this year, up 40 per cent on 1987, with a target of 1,700 trucks next year.

At the moment it has about 10 per cent of the UK market for trucks in its range. Total sales last year were £30m and employment has risen from 460 to 520 since the Kalmar takeover.

A study is under way on how engineering and component supply in Coventry and in Sweden, where Kalmar makes bigger lift trucks up to 80 tonnes, can be harmonised. Meanwhile, the name Climax has been dropped from the side of the trucks.

Coventry-Climax has one of those turbulent roller-coaster histories filled with dollops of euphoria and sadness.

Part of the mini engineering empire set up by Mr Pelham Lee in the early 1900s, it was most famous for the Coventry Climax engines which eventually powered Grand Prix winning racing cars. It started making lift trucks in the 1940s.

The company was purchased by Jaguar in 1966 and seemed to live on happily until it became part of the merged British Leyland group in 1974.

A lot of its problems appear to have had their origins in that move. Coventry Climax expanded through the 1970s, buying production sites in Batley, Yorkshire and Warrington, Cheshire. Its employment rocketed to more than 2,000 just as the world lift truck market started to slide and the Japanese poured in.

The BL group wanted to get rid of the business. By 1981 it was losing the incredible sum of £14m on a £45m turnover. In that year it was transferred to a consortium the ownership structure of which had always been rather murky. Sir Emmanuel Kaye, whose Kaye Organisation owns the Lansing lift truck business, took a 50 per cent stake along with Swiss and other investors.

No money changed hands for the purchase, however. The idea appears to have been to use the assets to generate profits in order to pay for the business on a timescale agreed between the investors and BL.

Production changes were made and a new range of Conquest trucks introduced. But little money was put into the company. Some managers say Coventry Climax had always been used as a training ground for BL managers who would then move onto another BL division.

One manager said: "There was no management stability." This appears to have continued after 1981. If Sir Emmanuel came onto the site, no one can remember. The company almost got to break even but was losing heavily again in 1986.

Some of the Coventry workforce finds the Swedish management style a bit too autocratic. However, there is management stability now and things are happening.

Since the Kalmar purchase, some of the buildings have been refurbished and attractive cladding introduced on outer walls. Two subsidiary sites have been closed and production concentrated onto one site.

Kalmar, part of the state-owned Procordia group, has introduced a computer-based data system and will soon introduce advanced warehousing equipment from its Larf subsidiary in West Germany.

Two truck models have had facelifts and a new 1.25 tonne truck, the Bijou, has been introduced to take on the Japanese. Mr Jangnemyr said inadequate shopfloor hoisting equipment and tooling has been replaced.

It looks as if many more changes are to come. Mr Sproul added: "There is still a lot to do. There are big gains to be made on developing world truck designs."

Retail sales 'set to top £101bn'

BY MAGGIE URRY

UK RETAIL sales will rise by 7.8 per cent to reach £101.7bn (excluding VAT) this year, according to a forecast by Corporate Intelligence Group.

The group was formed by a management buy-out from the Economist Intelligence Unit in 1984.

Its forecast suggests that sales volumes will rise by 5.4 per cent over 1987. That would represent only a slight slowing in growth from the buoyant levels of the last three years.

Some forecasters are expecting a sharper end to the retail boom.

Within the retail market, the report argues, the fastest growth will be seen in the clothing and footwear sector, with a sales gain predicted at 9.4 per cent by value and 7.5 per cent by volume. Womens wear will outperform menswear, it says.

Food stores, which saw lower sales gains than other retailers during 1987, are expected to increase their rate of growth in 1988 with gains of 7.3 per cent by value and 4.2 per cent by volume.

The group's Retail Research Report will be published 10 times a year. It aims to provide readers with easily digestible statistics with analysis and forecasts. Recent developments in the sector will be discussed.

Each report will also analyse one of the five retail sectors – food, clothing and footwear, household goods, specialist non-foods, and mixed goods – thus covering each twice a year. Three companies will be profiled in each issue – in the March edition they are Allebone & Sons, Sock Shop International and Tie Rack.

The report, launched yesterday, will cost £495 a year. Included in the price is the use of the group's telephone enquiry service.

Corporate Intelligence Group, 51 Doughty Street, London WC1N 2LS. Telephone 01-405 2228.

Engineers 'should be given opportunity as managers'

BY MICHAEL SKAPINKER

BRITISH employers should give greater numbers of engineers the opportunity to become managers, the Engineering Council said in a report published yesterday.

The report says the training and experience of engineers makes them particularly suited to managerial roles.

"Engineers are taught to quantify and to measure, to appreciate the degree of accuracy of information, to understand that there often has to be a trade-off between conflicting requirements.

"They know that decisions have to be taken to a time scale, that the product must be reliable and meet the customer's needs."

It says many other industrial countries appear to have a higher proportion of chief executives with a technological background.

Rapid development of technology meant directors and senior managers had to be able to understand the company's product and processes.

Management and Business Skills for Engineers, Engineering Council, 10 Maltravers Street, London WC2R 3ER, free.

Call for curbs on concentration of retailers' power

BY SIMON HOLBERTON

BRITAIN is approaching a situation in which the concentration of retailers' power could become a serious problem and may restrict consumer choice, says a study of the consumer goods industry.

Mrs Ann Morgan, a senior research fellow at the National Institute of Economic and Social Research and the author of the study, says: "At the very least then, mergers or takeovers among the biggest retailers should be closely scrutinised and if possible prevented."

Many manufacturers of consumer goods have lost control of the price at which they sell their goods. This is not because they are operating in the economist's perfect market but because they are facing dominant buyers.

There are acceptable options for manufacturers to counter this growing concentration of power. They could work closely with chosen retailers and grow as they grow. Or they could specialise and develop a strong identity.

Small manufacturers could explore co-operative arrangements with small retailers and other small manufacturers.

"What is required in every case is an active marketing policy. Manufacturers could well copy the approach of successful retailers and study not only how to satisfy a particular set of customers but also how to create or promote demand for their products."

The sharp rise in imports of consumer goods since 1974 cannot, however, be blamed on British retailers but on the failure of local manufacturers to meet consumer needs.

There is little evidence to support the notion that the existence of large-scale retailing in the UK has raised the level of imports of consumer goods.

The result of a series of questionnaires and interviews shows the main reason retailers gave for buying imports was because no comparable goods were available in the UK.

In general, price and design appeared to be second considerations for importing.

Mrs Morgan says this lack of supply did not suggest that shortages existed but rather that the search by retailers for variety to stimulate and satisfy the consumer could not be met by UK manufacturers.

The inability, since the late 1970s, to compete on price has not helped. British manufacturers were not only uncompetitive compared with manufacturers from the newly industrialising nations of Asia but also compared with producers in Europe.

British consumer goods became uncompetitive in the late 1970s. By 1985 prices were still not back to the levels of 1977. By 1986 they had still failed to compete well on price.

British imports of consumer goods: a study of import penetration 1974-85, Cambridge University Press, £19.50.

Bullish growth forecasts but trade causes concern

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S independent economic forecasters have become more confident about the prospects for economic growth this year but are increasingly pessimistic about the outlook for the trade position.

The Treasury's latest analysis of the consensus among outside forecasters shows that most have revised upwards both their projections for the pace of output growth and for the current account deficit in 1988.

The pre-Budget consensus now points to a rise in output of 2.7 per cent in 1988 against the 2.4 per cent foreseen at the start of the year. That would follow growth estimated at 4.1 per cent in 1987.

Independent forecasters ranging from the London Business School to the City securities companies Phillips & Drew and Goldman Sachs are also confident that the Government can combine sizeable Budget tax cuts with a surplus on its public sector borrowing requirement.

On average the expectation is for tax cuts of more than £3bn, with a PSBR surplus of around £1bn in 1988-89.

The more buoyant economic outlook is likely, however, to be accompanied by a sharper than expected deterioration in the current account of the balance of payments.

In January, the consensus pointed to a current account deficit of £3.6bn in 1988. The present expectation is for a shortfall of £4.2bn, with a further deterioration in 1989.

ECONOMIC OUTLOOK
Independent consensus

	1987	1988	1989
GDP growth (%)	4.1	2.7	1.9
RPI(% 4th Qtr)	4.0	4.2	5.0
Unemployment (m 4th Qtr)	2.6	2.5	2.5
PSBR (£bn fin. yr)	-1.1	-0.8	–
Current Account (£bn)	-2.5	-4.2	-5.1

Nomura wins gilts licence

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

NOMURA SECURITIES is the first Japanese securities house to be notified by the Bank of England that it will obtain a licence to act as a primary dealer in the UK government securities market.

It is understood that an application from Daiwa Securities is still being processed by the Bank.

Japanese houses are seeking to enter the market after four of the original 27 houses licensed by the Bank at Big Bang in October 1986 have already pulled out amid intense competition.

Nomura is still building a team to operate in the gilt-edged market. It has said that it aims to have a staff of 20, including the back office, and that it has so far assembled a team of about a dozen. The primary dealership is not likely to become effective for another month or two.

The path to admission of Japanese houses was smoothed by the Tokyo Stock Exchange's decision last month to admit four British securities houses.

McAlpine to share £200m Docklands contract

By Andrew Taylor

SIR ROBERT McALPINE, the British construction group, and Ellis Don, Canada's biggest commercial builder, have jointly won the contract to manage the construction of Europe's tallest office block on the Isle of Dogs in London's Docklands.

The building is expected to cost about £200m and will form the centre piece of the £3bn Canary Wharf office development by Olympia & York, the Canadian property and resources group.

The tower will be around 800 ft tall and will provide around 1.8m sq ft gross of office accommodation on 50 floors.

Olympia & York said yesterday the contract to build the office tower was believed to be the largest ever awarded for a British office development.

The Anglo-Canadian joint venture is to be known as Ellis Don Sir Robert McAlpine. The tower is due to be completed by spring 1991.

Canron, a Canadian steel fabricator, is strong favourite to win the contract for the steel frame of the office tower. Cleveland Bridge, a subsidiary of Trafalgar House, the British construction, property, hotels and shipping group, is believed to be the only British contractor among about a dozen international fabricators bidding for the steel contract.

The Canary Wharf scheme, Europe's largest commercial development, is expected to provide around 10m sq ft of office and retail space when completed in the mid 1990s.

BTR finance director moves to BT

By David Thomas

BRITISH TELECOM has gone outside the company for its first group finance director.

It has chosen Mr Barry Romeril, finance director of BTR, the industrial conglomerate which has specialised in aggressive takeovers.

Mr Romeril, aged 44, joined BTR in 1985 as the company's vice-president for its American operations, before taking a seat on the main BTR board last year. Before BTR, Mr Romeril spent 14 years with Imperial Chemical Industries in finance functions in both the US and the UK, becoming ICI's group controller.

BT, which has made no secret of its wish to build up its overseas activities, may have been attracted by Mr Romeril's international experience. Mr Iain Vallance, BT chairman, said: "He will bring to the company the benefit of his considerable financial experience, both in the UK and in the USA, in two major multinational companies."

Mr Romeril, who is parting amicably with BTR, said he was attracted by working for a company which is clearly focused on one activity. He joins BT in April and will report to Mr Vallance.

Mr Graeme Odgers, who became BT's managing director last year, was previously BT's chief financial officer, combining the role of finance director with some other responsibilities.

BT had been criticised for not bringing in enough senior people from outside the company following its privatisation.

● BT is forming a joint company with Systems Designers, the UK software house, to market secure computer systems.

Mr Jim Jackson, chairman of the new company, to be called Secure Information Systems, said it would combine Systems Designers' expertise in computer security and turnkey projects with BT's skills in communications.

Public call box service 'improving'

By David Thomas

BRITISH TELECOM is beginning to improve its public call box service, according to the latest monthly survey carried out jointly by the company and the Office of Telecommunications, the industry's regulatory body.

BT and Oftel began publishing monthly surveys in the autumn following complaints that the call box service was deteriorating.

Of the 7,374 call boxes surveyed between January 9 and February 5, 77.5 per cent were working.

This compares with 75.8 per cent in the first survey, 77.2 per cent in the second and 72.4 per cent in the third.

Professor Bryan Carsberg, Oftel director general, said: "The detailed results suggest that there was an improvement in serviceability week by week through the fourth survey period."

However, Prof Carsberg noted that BT was still short of its target of having 90 per cent of call boxes working by the end of March.

BT is confident that it will meet this target. It has been devoting more resources to call boxes and reviewing procedures in the service.

Imports 'would close Scots coal pits'

BY MAURICE SAMUELSON

BRITISH COAL yesterday asked an Edinburgh court to save its £150m-a-year market in Scotland from the imminent threat of large-scale coal imports into power stations.

The imports, which could begin from next month, would spell the end of deep-mined coal production in Scotland, large-scale unemployment and the loss of millions of pounds investment in new mining capacity, said British Coal.

The plea, at Scotland's Court of Session, opened what is believed to be one of the biggest commercial court cases heard in Scotland.

Lord Prosser, the judge, is expected to decide in a day or two, after hearing the arguments from both sides, whether to prevent the South of Scotland Electricity Board from importing coal, pending a full-scale court hearing which could last until the middle of the year.

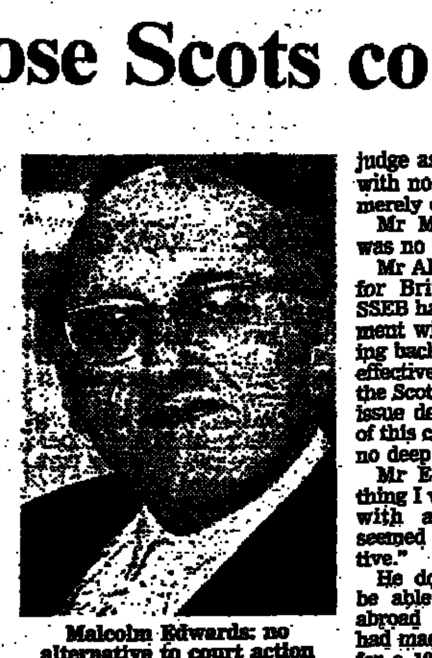
SSEB said yesterday it would decide in the next few days on its future coal deliveries. In court, its counsel, Mr Ranald MacLean, argued that its longstanding arrangements with British Coal did not constitute a binding contract such as would debar it from taking alternative supplies.

The case centres on coal used in power stations at Cockenzie, Lothian, and Longannet, Fife. Both are on the Firth of Forth.

British Coal maintained that they are tied in to specific long-term agreements – Cockenzie for 600,000 to 1.5m tonnes a year until 1992, and Longannet for the full output of the adjoining Longannet mining complex until 1995. Two of the pits in the complex, Solsgirth and Castlebridge, were constructed with the sole object of supplying the power station for its life.

Loss of this business, British Coal argued, would spell the end for the present four deep mines in Scotland and plans for development elsewhere.

The day-long hearing was attended by officials of both industries including Mr Malcolm Edwards, commercial director of British Coal, and Mr George McAlpine, British Coal's Scottish director.



Malcolm Edwards: no alternative to court action

Commenting on the SSEB claim that it was not contractually bound at Longannet, the judge asked: "They set up mines with no conceivable other outlet, merely on the hope of selling it?"

Mr MacLean replied: "There was no contract of any kind."

Mr Alan Johnston, QC, counsel for British Coal, argued that SSEB had entered a formal agreement with the coal industry dating back to 1963. "We are talking effectively of the destruction of the Scottish coal industry . . . the issue dependent on the outcome of this case is that there would be no deep mines left."

Mr Edwards said: "The last thing I want is to end up in court with a customer but there seemed to be no genuine alternative."

He doubted that SSEB would be able to obtain better terms abroad than those British Coal had made in the last few days – for a 12-month deal or a 12-year contract with prices aligned to world levels.

However, Mr Edwards said he would not call SSEB's bluff by waiting to see the outcome of its overseas tenders.

UK Provident makes financial recovery

BY ERIC SHORT

UNITED KINGDOM Provident Institution, the mutual life company in financial difficulties two years ago, is much healthier following its operational merger with Friends' Provident Life Office.

Mr Fred Cotton, managing director of both companies, said that two years ago UK Provident had an investment reserve of £82m in a £1.8bn life fund – barely sufficient to meet the legal solvency requirements.

Today, the reserve is £240m on a fund standing at the same level and this recovery has enabled the company to maintain its reversionary and terminal bonus rates at the interim rates that have been applied over the two years from the end of 1985.

Thus for life policies the reversionary bonus rate for the two years to the end of 1987 is £9 per cent of the basic benefit and attaching bonuses and £11.10 per cent on pension policies – the annual equivalent being £4.40 per cent and £5.40 per cent respectively.

Terminal bonus rates, added when contracts become claims, remain at 65 per cent of attaching bonuses for life policies and 65 per cent on pension contracts.

However, these rates are 10 per cent lower than those declared after the 1985 valuation of the life funds – rates that Mr Cotton asserts were unsustainable in view of UK Provident's then financial position.

UK Provident revealed its troubled financial state in April 1985. Although not technically insolvent, it had been investigated by the Trade and Industry Department for some months.

The solution, with the approval of the DTI, was a rescue by Friends' Provident in the form of an operational merger, with Friends' Provident managing UK Provident.

Mr Cotton claimed yesterday the root causes of UK Provident's troubles had been dealt with.

High management expenses, which two years ago totalled £38m, were cut to £10m last year; the over-generous pension contracts had mostly lapsed; and the underlying investment portfolio had been revised with considerable switching from equities to fixed-interest and some favourable property disposals.

Barclays plans service for medium-sized businesses

BY CHARLES BATCHELOR

BARCLAYS BANK yesterday announced a network of 325 specialist business centres intended to provide a more sophisticated service to commercial customers than would otherwise be available from its 2,800 local branches.

The centres, based in existing branches, will be staffed by business management teams specially trained to deal with the problems of medium-sized corporate clients.

At the same time Barclays launched a business starter package to make life easier for people starting up a business.

The package includes 12 months of free banking to new business customers who remain in credit; a fixed-fee overdraft of up to £2,000 to new or existing small business customers; fixed-interest business starter loans of up to £15,000; and a range of insurance packages.

The bank is aiming the package at start-ups and businesses with a turnover of up to £100,000, in line with schemes launched by Lloyds and Midland Bank.

The business starter loans will carry interest of 13 per cent and will be available for from one to five years. Borrowers may opt for an initial six-month holiday from capital and interest payments.

The bank plans to spend £15m training 2,500 staff to provide the business service.

Midland Bank pioneers export financing scheme

BY PETER MONTAGNON, WORLD TRADE EDITOR

MIDLAND BANK yesterday became the first of the UK clearing banks to introduce a revised scheme for financing short-term exports backed with an official guarantee from the Export Credits Guarantee Department.

The scheme will introduce a flexibility into short-term export finance facilities launched earlier by Midland to fill the gap left by the withdrawal of ECGD's loss-making comprehensive short-term guarantees which took effect last October.

Other clearing banks are also working on refinements to their own schemes after discovering a disappointing initial market response to the new regime.

Under the new Midland facility, exporters will for the first time be able to obtain short-term finance while continuing to manage their own ECGD policy, rather than using as at present the umbrella of the bank's own policy with ECGD.

This will allow them to negotiate their own ECGD policy tailored to their specific requirements while reducing paperwork and therefore the scheme's administration cost. Separately, Midland has arranged insurance cover against clients mismanaging their policies so that claims against ECGD are rejected.

Virgin aims to undercut BA on two US routes

By Michael Donne, Our Aerospace Correspondent

VIRGIN ATLANTIC Airways, owned by Mr Richard Branson, plans to start flights between Gatwick and Los Angeles in the spring, and to Kennedy, New York, in the early summer, at fares that will significantly undercut rival British Airways rates.

Announcing these routes, which will supplement Virgin's flights to Newark, New Jersey, and to Miami, Florida, Mr Branson said yesterday the expansion would involve buying two more Boeing 747 jumbo jets – doubling the Virgin fleet.

"Since forming Virgin Atlantic, we have followed a deliberate policy of not allowing ourselves to expand too rapidly," he said.

"However, we feel that the time is now right, bearing in mind the strong following that Virgin now has to the US."

Details of the fares are still being worked out but Virgin is aiming at an introductory single fare of £199 to Los Angeles, compared with the cheapest BA summer rate of £460, and is promising cuts of between 30 and 50 per cent in winter.

The new Virgin routes will still require reciprocal approval from the US but this is not expected to be difficult to achieve under the Anglo-US bilateral air agreement.

However, the Civil Aviation Authority's decision to award the two routes to Virgin has created a complex licensing and competitive situation.

This arose from the fact that the same two routes have hitherto been flown by British Caledonian Airways and are being continued by British Airways following its own acquisition of BCal.

The licences now granted to Virgin are in effect new licences in their own right and are not the BCal licences transferred.

As a result, for the first few weeks at least, Virgin will be flying to Los Angeles and Kennedy from Gatwick in direct competition with British Airways, with BA also serving those US destinations from Heathrow.

To end this, Virgin has applied to the CAA for the revocation of the former BCal licences but this will take time.

Mr Branson said that Virgin intended to pursue this plan.

"We believe it would be completely wrong for BA to be allowed to fly from both Heathrow and Gatwick, when Virgin is excluded from flying from Heathrow. For us to compete effectively, their (BA/BCal's) Gatwick licence must be rescinded," he said.

Time for a genuine supply-side Budget

Bill Robinson, director of Institute of Fiscal Studies, advises the Chancellor on which way to jump

MODERN supply siders are famous for believing in incentives, deregulation and competition. Old-fashioned supply siders believe in the importance of investment to expand capacity and create jobs. The 1988 Budget should be a producers' Budget, uniting both strands of thought. This would be our best chance of sustaining Britain's new position at the top, rather than the bottom, of the European growth league.

That position owes much at present to the strength of UK demand. The risk is that a Chancellor with some £10bn of extra revenue to spend and tax-reforming ambitions will overheat an already buoyant economy.

"Overheating" – total demand in the economy overtaking supply capacity – matters because it leads to higher inflation. In the short run, excess demand means more imports. The resulting balance of payments deficit is not necessarily a disaster; we should all shoulder some of the deficits that we have been exhorting the Americans to offload. But too large a deficit may eventually undermine confidence in the exchange rate, currently the linchpin of the Government's counter-inflationary policy.

A falling exchange rate plus strong demand pressure is a recipe for accelerating price increases, as the experience of the 1970s showed. Buoyant demand has helped to bring about a record fall in unemployment over the past year and, although the jobless total remains above 2.5m, the recent rash of labour disputes suggests that the upward pressure on wages is now quite strong. That pressure is less likely to be resisted if employers believe that a falling exchange rate would offset the resulting increase in costs.

One way of preventing the exchange rate falling would be via higher interest rates. A tighter monetary policy might also cool the economy by reducing consumer borrowing. Unfortunately, it would also make investment dearer to finance. And an uncompetitive UK would not be an attractive location for the multinationals.

For these reasons the Chancellor should not inject a fiscal stimulus while relying on monetary policy to keep the lid on inflation. That was the route pursued by President Reagan, with disastrous consequences that are only just becoming apparent.

Instead, he should recognise that the current revenue buoyancy, evidently a symptom of the unexpectedly rapid growth of demand, is also an antidote to it. Mr Nigel Lawson, the Chancellor, should allow the built-in fiscal stabilisers to do their work. The official PSBR estimate for the current financial year has already been reduced from £4bn to £1bn, and the huge January surplus suggests that the outturn will be a negative PSBR, that is a net repayment of debt. Fiscal policy is being tightened automatically at present, and rightly so.

This Government has always abjured fiscal fine-tuning, and an unchanged policy should mean holding next year's PSBR to this year's out-turn level, rather than sticking to outdated plans based on erroneous forecasts. The result would be a zero or negative PSBR to reassure the markets, and no addition to demand.

However, this does not mean that the Chancellor has to abandon tax reform. As long as he can stick to his public spending plans, which imply a reduction in government spending as a share of GDP, he can afford to reduce the overall tax burden (i.e. taxes as a share of GDP) without overstimulating the economy.

Since an unchanged tax system (i.e. the statutory rates and allowances) will always deliver an increased tax burden in a growing economy, he can afford to leave some £3bn-4bn of his extra revenue in taxpayers' hands without adding to demand from one year to the next.

He should use this freedom of manoeuvre to put money back in to the company sector (from where much of it has come). Companies cannot by definition spend the money on private consumption. They will either save it or invest it. Either outcome improves the balance of supply and demand. Even if the investment goods are imported, an external deficit which reflects real capital formation rather than a consumer spending spree is much easier to finance.

One way of spending the extra money would be via a reduction in employers' National Insurance contributions. That would both help to price more people back into work and reduce inflationary pressure.

The reduction in costs would also provide some direct help for the balance of payments. Alternatively a straight cut in the corporation tax rate, which would both improve corporate cash flow and the post-tax return on new investment, would assist capital formation.

The risk, of course, is that some of the money given to companies is not spent on recruitment or investment but on higher wages for existing employees. But, even if this happens, the effect on consumption would generally be much slighter than if the money had been spent on personal tax cuts.

As regards personal taxes the Chancellor should also pursue his mission to make the rich more industrious. Economic theory tells us there are two ways of going about this and he should have the courage to do both. Make people worse off by extracting a lump sum from them (e.g. by restricting the value of the tax relief from personal and other allowances to the basic rate) and they will work harder to replace the lost income. Offer them a higher hourly rate for the extra effort (e.g. by cutting the higher rates of tax) and they will work harder still.

The cost of a reform of this sort, unless it is of the "no loser" variety, is not intrinsically high, and will be further cut by the reduction in tax avoidance. Moreover, the gainers would probably save a higher than average proportion of their extra income, so the net stimulus to demand would also be small.

The stimulus to supply is impossible to measure, but the economics profession, which is divided on many subjects, would at least agree that it is positive. If the Chancellor believes it to be large he should conduct the experiment.

A balanced Budget to help interest rates downward, more money for companies, greater incentives – but not much more money – for the better-off: that would be a genuine supply-side Budget.

It would not be popular – nothing off the basic rate of income tax, nothing for the Health Service, no direct help for the poor or the unemployed. But in time it might create the wealth to pay for other, more egalitarian, reforms. At the beginning of the Parliament the Chancellor has time. It is a rare commodity in politics. It should not be wasted.

Lawson urged to start radical reform of family tax

BY PHILIP STEPHENS,

A CALL for the Government to treat independent taxation of husbands and wives as the starting point for a much more fundamental overhaul of family tax and property law was made yesterday by the independent Institute for Fiscal Studies.

Mr Nigel Lawson, Chancellor of the Exchequer, is expected to use his March 15 Budget to announce phased reform of the tax system to give married women more independence in their tax affairs. Later this year there will also be fundamental changes to the social security system, including earnings-related pensions.

The IFS study, produced by a group of lawyers and economists, argues, however, that the changes are being made piecemeal, without any clear reference to their relationship with family property law.

This area of the law is under increasing strain, the IFS says. Even without the pending reforms of the tax and social security regimes, it faces pressures from changing economic conditions, the growing divorce rate, the increase in one-parent families, and the existence of new forms of wealth such as pension rights.

The present legal system attempts to deal with the problems by leaving much to judicial discretion in the case of divorce and to some extent even on death.

"The result is uncertainty about who owns what, both during marriage and on its termination", the IFS says. Such uncertainties could hinder tax reform by, for example, creating an obstacle to the separate tax treatment of husbands and wives investment income.

The IFS says the present piecemeal approach to family property rights should be replaced by a comprehensive set of legislation which would both limit judicial discretion and take account of pensions and other new forms of wealth.

Such a system would be based on a number of principles which would provide the starting point in the event of divorce, death or bankruptcy.

● The value of all assets generated and incurred within marriage would be shared equally.

● Pension rights accumulated during the marriage would belong to both spouses and there would be legal co-ownership of the family home.

● The tax and social security regimes would be modified to reflect this system of "community" property, with the resultant clarification of ownership rights easing the transition to independent taxation.

Property and Marriage: An Integrated Approach. IFS, 180 Tottenham Court Road, London W1P 9LE. £10 (£3 to IFS members).

APPOINTMENTS

Mercantile Group restructured

Following restructuring of the MERCANTILE GROUP, the executive directors are: Mr Stuart Errington, chairman and chief executive; Mr Stan Buckley, managing director; Mr Tom Clark, finance director; Mr Brian Hassell, business director; and Mr Ronnie Jones, resources director. In the subsidiaries, Mr Peter Moore and Mr Roy Simblet have been appointed directors of Mercantile Credit Co.; Mr Moore is responsible for support services and risk assessment, and Mr Simblet will control the branch network. Mr Geoffrey Reynolds becomes business administration director of Barclays Mercantile Business Finance. Mr Tony Gamble has been appointed a director of Mercantile Services, with responsibility for the contract hire, daily rental and fleet management subsidiaries; and Mr Michael Sheeran has been made a director with responsibility for motor and commercial vehicle distribution subsidiaries. Mercantile Group, a member of the Barclays Bank Group, is a newly-formed holding company which provides assets for business and personal customers through finance, rental and distribution. ★

TAYLOR YOUNG INVESTMENT MANAGEMENT has appointed Mr William W. Darley as a senior manager and finance officer. He was with Arthur Andersen & Co.

★

Mr David G. Lacey, deputy chief executive, and Mr W. Alan Prescott, financial controller of the Co-operative Wholesale Society, have been appointed directors of CROWNGAP. The CWS is taking over the 45 per cent shareholding previously held by its subsidiary, the Co-operative Bank, which has backed Crowngap since its foundation. Mr Chris Ruck and Mr Peter Layhe, the bank's representatives on the Crowngap board, have resigned.

★

Mr Roger Warman has been appointed sales and adminnistration director of PLUS TWO, Slough.

★

Mr Martin Morton has been appointed director of the OIL AND CHEMICAL PLANT CONSTRUCTORS' ASSOCIATION, succeeding Mr Tom Garfit. Mr Morton was assistant director.

★

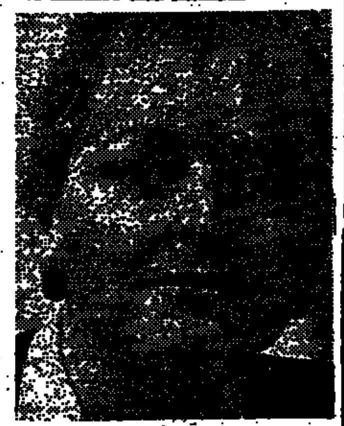
Mr Christopher Thompson has been appointed a main board director of THE PLESSEY COMPANY. He was a consultant to Plessey in the area of international strategic marketing.

★

EOSYS has reorganised its senior management. Mr David Firnberg has been appointed executive chairman. He is succeeded as managing director by Mr Chris Cole, previously a principal consultant. Sir Anthony Burney remains chairman of the main board. Ms Diana Duggan becomes director of research. Mr Kevin Carter joins from Northern Telecom as director of marketing. Mr Nigel Wheatley is promoted to director of technology from principal consultant.

★

Miss Denise Rowley has been appointed regional director, City of London, for the ECGD. She succeeds Mr Dick Watt who has become ECGD's account director for finance and fashion.



Miss Denise Rowley, ECGD regional director, City of London

TROLLOPE & COLLS MANAGEMENT, construction and management arm of Trafalgar House's UK building division, has made the following changes to its management structure. Mr Jim Girdham becomes managing director; he was assistant managing director. Mr Ken Bowden has been appointed a director with responsibility for the £25m joint venture with Lehrer McGovern at the Circle, a residential development at Tower Bridge for Jacobs Island Company (see Financial Times, October 26,1987). Mr Steve Westway becomes a director with responsibility for the Port East development in London Docklands. He was a director of associate company Cementation International. Mr Bill Walton has been appointed an associate director. He joins from Trollope & Colls Construction.

★

APPLE COMPUTER UK has appointed Mr John Leftwich as marketing director. He joins from Apricot Computers, where he was group product and marketing director.

★

WARNER-LAMBERT (U.K.), Eastleigh, Hants., has appointed Dr Bill Shaw as regional medical director for the UK, Ireland and Scandinavia. He joins from Sandoz Pharmaceuticals where he held a similar post.

CONTRACTS

Newcastle hospital project

Major assignments for the engineering group of the CO-OPERATIVE WHOLESALE SOCIETY include a £6m mechanical services contract for the Royal Victoria Infirmary, Newcastle, in a joint venture partnership with the contractor, Taylor Woodrow.

Other orders include complete mechanical services for Inverclyde Hospital, Scotland, valued at £420,000, plumbing and heating for Prudhoe Hospital, Newcastle, £100,000, and an energy management system for the Royal Hospital, Wolverhampton, £102,000. A £300,000 contract for mechanical services for Staincliffe Hospital, Dewsbury has been obtained in addition to the £3.5m contract currently in progress.

Various retail store developments underway around the country, have a total value of around £7.5m for both mechanical and electrical services, notable ones being superstores in Dalston, London £1.4m, Coventry £500,000, Porth, South Wales £485,000, Pontllandfraith, South Wales £230,000, Slough £780,000, Sheffield £520,000, Chingford £9920,000, Kirkintilloch £312,000 and Worthing £376,000.

Local Authority contracts include mechanical services for Bath Magistrates Court for Avon County Council, £253,000, mechanical services for Redfield Leisure Centre, Oxford £175,000, and Newton Aycliffe Leisure Centre, £160,000.

£60m dairy plant orders

APV has been awarded contracts for dairy processing plant totalling £60m since the New Year. APV's French subsidiary has won a £4.5m order from the Sialim dairy in Abidjan on the Ivory Coast for a sweetened condensed milk plant.

In Australia, APV will build a cheese plant for Bonlac Foods, in a deal worth £2.4m, and has secured several orders for whey processing plants worth £1.6m.

In America, £8m of new contracts have been received or about to be signed, including a contract of over £2.8m for Weiss Foods.

APV's Danish subsidiary makes up the balance of the orders, including £5m in China, £6m in South Korea, £9m in Zimbabwe and £2m in Sengal. Seven existing milk processing plants are to be renovated or expanded in Nepal, amounting to £7m.

Danfarm Contractors, which is half-owned by APV, has received a £38m contract for an integrated farm project in Egypt. It includes milk processing plant to the value of £4m. The company has another integrated farm project in Senegal, a milk processing plant worth £2m, and is to expand a milk and fruit juice plant in Sanaa, North Yemen, in a contract worth £5m.

Services for Egyptian hospital

Two hospital contracts worth £10m have been won in Egypt by ELLIS MECHANICAL SERVICES. At the 300-bed Pyramid hospital in Cairo, Ellis is installing all mechanical and electrical services in a joint venture with Aster International of Milan. Aster is carrying out the mechanical, plumbing and medical gas services and Ellis in London is carrying out the complete electrical engineering requirements, procuring and monitoring the shipping of the majority of the equipment and materials from the UK.

The site erection of the services is being undertaken by Nile Aster International, Cairo, with Egyption labour supervised by expatriate supervisors from Italy and the UK. The project manager is Higgs and Hill and the main contractor is Costain International in joint venture with Construction Reconstruction Co (Hasson Dorra) of Egypt. The client is the Cairo Organisation for Medical Treatment.

Ellis has also won the sub-contract for the complete heating, ventilating, air conditioning, plumbing, medical gases and primary electrical equipment for the new 180-bed Mansoura University – gastroenterology and emergency hospital. The main contractor is Dragados of Madrid. The UK contract financing has been arranged through the Export Credits Guarantee Department in association with Banco Hispano Americano, London.

Mixed bag for Wilmott

WILLMOTT DIXON construction companies have won contracts totalling around £4.8m. Willmott Dixon Construction has started work on two projects. The first involves the refurbishment of offices at Astra House, Harlow through a £556,000 contract for Dencora Properties. The company has also been awarded a £265,000 contract by the Post Office to carry out alterations to form a Data Post centre Luton

A.E. Symes has begun two contracts recently. One is to build a £1m plus superstore for Great Mills D.I.Y. at Stuart Road, Gravesend ; the second involves building an office block within a warehouse at a cost of £337,337 for Kardex Systems (UK) at Fountayne Road, Tottenham.

Equipping the Royal Navy

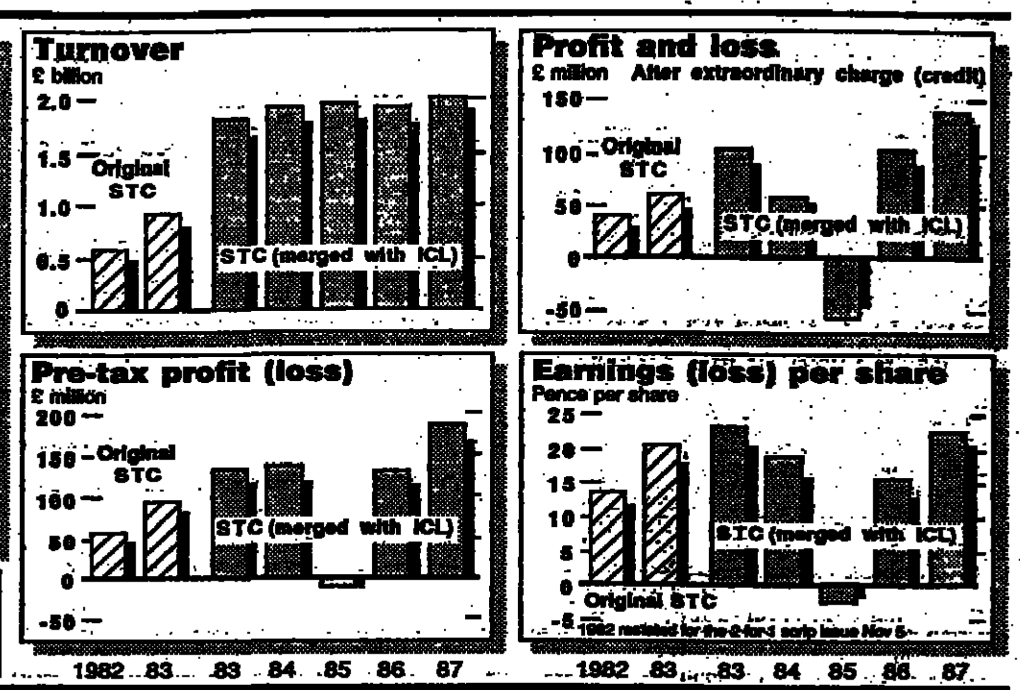
SYSTEMS DESIGNERS (SD) SCIENTIFIC has been awarded a contract to supply an information technology system to the Royal Navy, known as OASIS System 4. The contract, valued at more than £8m, is let by the Central Computer and Telecommunications Agency

MANAGEMENT

Electronics

STC: now a dash for growth

Terry Dodsworth explains why the UK group is focusing on fewer, specialist, activities



NONE OF the large companies in the British electronics industry has changed faster or to more effect over the last couple of years than STC. In the middle of 1985 the company was in crisis, its balance sheet overstretched, its management in turmoil and cash was flowing out of the business at a frightening rate.

By early last year, with a new management team firmly in the saddle, the group was back on an even keel – a performance that was underlined in yesterday's figures for 1987. Profits have swung back to record levels, borrowings been virtually eliminated, and the group's coffers are now stuffed with £196m worth of cash.

Arthur Walsh, the former head of Marconi who was brought in to reorganise STC, has achieved the turnaround with a classic company doctor's recipe of cuts and tighter financial disciplines.

But at the same time, he has been planning for renewed growth by focusing the group more clearly on a smaller number of specialist areas. In the last six months or so, STC has emerged with a long term strategy based on the ICL computer division (STC acquired Britain's major computer company in 1983), a telecommunications transmission business, an electronics distribution group to give financial stability, and a much stronger thrust into overseas markets.

Walsh, 61, found the basis for most of these developments already within the company. Indeed, the preceding management team had poured research money into the transmissions activities, as well as launching the takeover of ICL to try to exploit the growing convergence of telecommunications and computer systems.

In both these areas, Walsh believed that STC had a sound commercial and technological base when he arrived in October 1985.

ICL, he says, was being well managed; and on the transmission side, the group had a strong position in both fibre optic cables and in an exciting new product area called multiplexing – a technique by which telephone messages are encoded digitally and then squeezed together down a line to maximise the use of available capacity.

Walsh's strategy has been to try to emphasis these strong points; while abandoning more peripheral areas and cutting jobs - now down to 34,000 from 46,000 when he arrived.

The group's expensive foray into memory chip manufacturing, for example, was axed. "We were in a field where volume mattered and we did not have the volume," he says. "I don't believe STC was capable of making a profitable business in that area."

Within a year or so of his arrival, STC was also moving to try to strengthen its position in overseas markets.

The group has never had a large international business because of its former role as one of the overseas satellites of ITT of the US. But with ITT deciding to shed its final 24 per cent in the company, Walsh persuaded Northern Telecom of Canada, the second largest exchange equipment manufacturer in the North American market, to buy into STC.

The deal with Northern six months ago means that the two companies will each be helped with access to the other's market, while sharing some areas of research.

It is doubtful whether Northern would have reached agreement, however, if STC had not first sorted out its financial position. When Walsh took over as chief executive, the company's debt was, he says, "horrendous".

His response was to launch a two-pronged crash programme, aimed partly at raising cash through disposals, and partly generating more funds internally from improved managerial controls.

The system he introduced was based almost entirely on what he had learned as a manager at Marconi, the defence division of the General Electric Company.

Walsh, a small, quietly pugnacious man, who is said to motivate his subordinates by a mixture of abrasive criticism and encouragement, now uses a reporting system modelled closely on GEC's method of measuring results against certain budgeted key ratios – sales to capital employed, sales to gross inventories and so on.

Daily cash balances

Reports stream into Walsh's modest office giving daily cash balances and monthly performance reviews from the divisional managing directors.

To make it doubly clear that operating managers are responsible for their own businesses, Walsh has swept away the divisional board structure. Head office administration, which used to be responsible for virtually all the cash management, has been reduced to a team of about 12 senior executives with a brief to probe into the affairs of the operating companies.

"When I arrived, for the best part of two months I could not find what the cash balance was," says Walsh. "The people who had contact with debtors and creditors were not the people who had control of the cash."

The new system operates, he says, "by me using a telephone". He insists on having access to anyone in the company. The monthly reports are written and signed by the managing directors themselves, even those from ICL. "I want to see the ink on the bottom of the page, so I know they actually did it."

Walsh believes that the company may have squeezed well over £70m out of working capital by introducing these new disciplines. At the same time, the new management team has raised a further £140m from disposals, generating a little over £45m in profits in the process.

This aggressive cash generation programme has transformed the balance sheet. The debt-equity ratio, which stood at well over 50 per cent three years ago, has now dropped to zero, and STC has net cash in hand.

Indeed, with the backing of substantial new borrowing facilities, the company is in a position to expand through acquisitions. "One of the things we shall not do is to accumulate a lot of cash at 10 per cent interest rates," says Roy Gardner, finance director. "If you can make 30 per cent by investing it, that is what we shall do."

Because of this renewed financial strength, the City is continually abuzz these days with speculation about where STC will move next – the defence activities of both Plessey and Ferranti have been the target of such rumours.

Given his 20 years background in Marconi, Walsh concedes that he remains interested in defence. But he gives a strong impression that his main focus lies on expanding the sectors where the company has already established itself.

The attractions of concentrating on these areas are obvious. In both computers and telecommunications, STC is situated in strong growth markets, where the underlying rate of expansion is expected to be at least 10 per cent a year to the turn of the century.

At the same time, telecommunications systems are becoming increasingly reliant on sophisticated computers to manage them, opening up the possibility of more collaboration on joint products.

But there are risks. Both markets are also changing very rapidly – so quickly, indeed, that manufacturers can easily miss the boat on the next area of growth. In telecommunications for example, it is by no means certain that the new generation of transmission systems will take off in the way that STC believes it will.

In addition, both industries involve fierce technological competition, demanding heavy investment in research and new products. The City worries that STC will, as a result, find it increasingly difficult to finance ICL's growth, and there is concern that the group's tight grip on expenditure may choke off the sort of research work which created the multiplexer.

In response, Walsh points to STC's £161m research budget – the biggest self-financed corporate R & D programme in Britain – and promises a raft of new products down the road. It will take a couple of years for the results of the alliance with Northern to show through, he says. But when they do STC will be able to show a new generation of products which this time will be ready for the world market.

A bout of circuit training

David Thomas on the re-birth of STC Telecommunications

"STC Telecommunications was known as Sod-the-Customer. What we've had to do is to build an organisation where STC means Satisfy-the-Customer," Peter Gershon, head of STC Telecommunications, explains with just the hint of a smile.

At stake, Gershon continues, was "not just a new technical and marketing strategy, it implied a total re-birth of STC telecommunications."

The seeds of that re-birth were sown in the mid-1980s when STC was eased out of System X, the flagship digital public exchange which the company had helped develop for British Telecom with Plessey and the General Electric Company. At the time, many observers expected STC's role in telecommunications, once the heart of the company, to decline steadily as sales of its TXE4 public exchange – using technology of the previous generation to System X – ran down.

Yet the company managed to forge a new telecommunications strategy out of the ashes of its System X debacle.

Gershon, 42, moved over from ICL at the start of last year. He is one of the new breed of British senior managers who mixes tough talking about the complacency of the old regime with a fresh approach to trying to motivate those employees who remain. The new STC Telecommunications has three main elements:

- Management style. Gershon has tried to introduce the more informal and dynamic management style of the computer industry into the previously sleepy world of telecommunications.

Gershon paints a picture of the previous management as bureaucratic, inward-looking and status-obsessed. "When I came here, everyone called me 'Mr' and I won't have that."

He set out to shift the emphasis from rewards as of right to rewards based on performance. In the past, he says, "when things went wrong, they could always blame other parts of the operation."

One of Gershon's first acts was to abolish the management dining room and strip the senior managers of their Jaguars. "The managers here were too wrapped up in internal power politics and their perks," Gershon maintains.

This was followed by a cull of those managers unable to adjust. Half the management team has left over the past year.

The company's incentive scheme was overhauled, with merit pay being made less automatically. A year ago, 70 per cent of staff were getting top grades in the company's merit scheme; that is now down to 30 per cent.

A continual attrition of staff numbers – which fell by 10 per cent last year – is complemented by sharper communications with those who remain. Systematic briefing of the workforce was introduced last year.

- Product strategy. The company's new approach centres on a development which STC believes is about to transform telephone operators' vision of their networks. Technological advances are making it possible for functions traditionally in the domain of the central exchange to be carried out in a more decentralised fashion.

In practice, this means putting much greater emphasis on transmission equipment; an area where STC has traditionally been strong. At the heart of its new strategy is a new generation of transmission equipment, called digital multiplexers, which control the flow of signals along a telephone network.

Also crucial are cables; where STC also has traditional strengths. Fibre optics has boosted enormously the numbers and types of signals which can be carried over a telecoms cable, reinforcing the trend for developments away from the central exchange to assume greater importance.

Moreover, the price of optical fibre has been tumbling – down by a half in the past two years, with a further halving in prospect over the next three years, according to Gershon. He believes fibre optics will soon be cost effective for many new local telephone developments.

The third wing of STC's new product strategy is equipment on customer premises, such as telephones and business exchanges. Gershon believes these will also evolve as more of the functions are controlled by the transmission network.

- Marketing strategy. STC, previously almost wholly dependent on BT for its telecoms sales, has an urgent need to build up business overseas as of telecommunications becomes more competitive.

In some markets, such as the Middle East, India and China, STC has sufficient hold already to win this greater international presence on its own, Gershon believes. But in many markets the only practical route is through alliances.

That is why Gershon sets such stress on a deal reached with Siemens last year whereby the West German electronics giant will distribute STC's digital multiplexer in territories where Siemens is strong. STC is keen to establish similar marketing alliances in other countries.

But undoubtedly STC's most important telecoms partnership, in both marketing and technology terms, is its new alliance with Northern Telecom, the Canadian manufacturer.

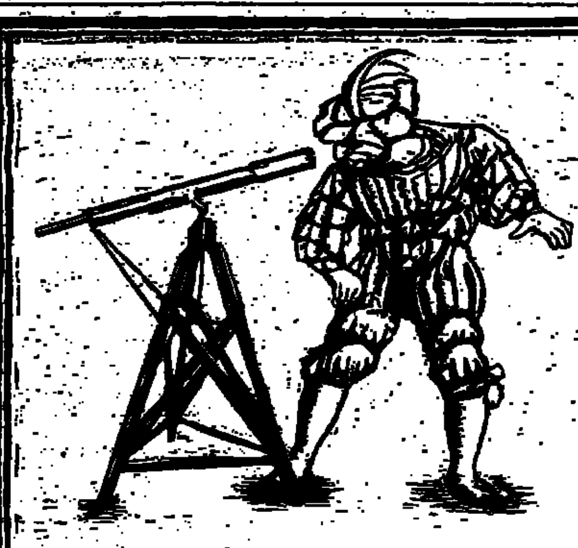
Northern, number two in North America, offers STC the glittering prize of being able to sell its innovative transmission equipment in the US, though Gershon does not expect to see volume sales in North America from this arrangement until 1990.

The two companies are also beginning to combine their complementary technologies to bid for projects jointly. In the medium term, Northern may be able to fill rather glaring gaps in STC's product portfolio, such as in large private exchanges.

Gershon has his strategy in place. His task now is to carry it through. Last year STC Telecommunications' revenues were still biased towards its traditional business; about 60 per cent came from the TXE4, mainly improvements to installed machines, as against 10 per cent from advanced transmission, a share which Gershon wants to rise to about 50 per cent in a few years.

Arthur Walsh, STC's chief executive has clearly signalled that communications and information technology are to be the main focus of the new STC, so the importance of Gershon's role cannot be exaggerated. With Gershon making no secret of his contempt for the old regime, there will be plenty of people waiting to see whether he sinks or swims.

Illustration by Ken Maryanski for the Meridien.



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FT LAW REPORTS

Malaysian guarantee is valid

DEN NORSKE CREDITBANK v SARAWAK ECONOMIC DEVELOPMENT CORPORATION

Queen's Bench Division (Commercial Court): Mr Justice Phillips: February 23 1988

A statutory company's right to exercise powers which are naturally expedient for the pursuit of its objects can only be restricted by clear words in the relevant Act; and accordingly, where there is ambiguity as to the power to guarantee loans, a guarantee is not invalidated by failure to come within restrictive statutory requirements if it comes within general wording granting the company a power to do all things expedient or incidental to the discharge of its duties.

Mr Justice Steyn so held when ordering summary judgment for over $4m against the Sarawak Economic Development Corporation in respect of its liability under a guarantee assigned to the plaintiff, Den Norske Creditbank.

HIS LORDSHIP said that the corporation was a creature of statute. It was constituted under Malaysian law by the Perbadanan Pembangunan Ekonomi Sarawak Ordinance, Chapter 35.

The guarantee sued upon secured part of a loan made by Nordic Bank of Singapore to a Malaysian company, Black Gold (Malaysia SdnBhd).The benefit of the guarantee was subsequently assigned to Den Norske Creditbank.

Forty per cent of the Black Gold share capital was owned by the corporation. The loan was to enable Black Gold to buy a diving support vessel for use in oil exploration and production in Sarawak waters.

On November 13 1985 the Minister responsible for the corporation signed approval of the guarantee. On November 15 the corporation executed it, guaranteeing payment of 40 per cent of a loan of up to M$21,250,000.

The bank sought summary judgment under RSC Order 14 for an amount which, with interest, would exceed $4m. The corporation accepted that if the guarantee was valid the bank was entitled to the relief sought. It contended, however, that the guarantee was a nullity because it was *ultra vires*, in that the corporation had exceeded its powers in giving it. The contention was based on section 14(2)(d) of chapter 35.

Section 14(2) provided that the corporation should have power "to do all things expedient or reasonably necessary or incidental to the discharge of its duties, and in particular, but without prejudice to the generality of the foregoing . . . (d) to guarantee, within such limits as shall be fixed by the Minister, any loans made by any bank . . . for any purpose for which the corporation might itself have granted such loan."

It was contended that the corporation could only guarantee loans made by a bank, as defined in Chapter 35, and it could only give a guarantee within a limit fixed by the Minister.

A "bank" was defined as a licensed bank. It was common ground that the loan was not made by a bank within the Chapter 35 definition.

Mr Kealey for the bank submitted that the corporation was wrong in describing an abuse or excess of power on its part as "*ultra vires*". He said an act was only *ultra vires* where it was outside the capacity of a company.

That criticism was not well-founded. In the case of a statutory corporation an express statutory restriction of its power must restrict its capacity to act.

Mr Kealey's primary submission was that section 14(2)(d) did not restrict the general power granted by section 14(2) "to do all things expedient or reasonably necessary or incidental to the discharge of its duties."

He said, first, that where general words in a statute or contract were followed by specific examples, the latter were not normally treated as restricting the former whether by application of the "*ejusdem generis*" rule or the maxim "*expressio unius est exclusio alterius.*"

Secondly, he pointed out that the list of powers set out in section 14(2) was prefaced by "in particular, but without prejudice to the generality of the foregoing." Those words, he said, were clear and fatal to the corporation's argument.

Mr Brindle for the corporation contended that each case ultimately must turn on the natural meaning of the relevant provisions, read as a whole; and that where an enumerated power was specifically restricted it was nonsensical to suggest that prior general words entitled the company to ignore the restriction.

The conflicting arguments were nicely balanced. It was hard to accept that the specific grant of a power "to guarantee within such limits as shall be fixed by the Minister," was intended to do no more than exemplify a power which would co-exist alongside a power to guarantee in disregard of any such limits.

Notwithstanding that, the bank's contentions prevailed. If a statute was to prevent a statutory company from exercising powers which were naturally expedient for the pursuit of its objects, clear wording was required.

Mr Brindle's submission involved disregarding, to a degree, the clear meaning of "without prejudice to the generality of the foregoing."

Those words should be given their natural meaning. In granting the guarantee the corporation was plainly acting in a manner "expedient to the performance of" its statutory duties.

It followed that on a true interpretation of section 14 of Chapter 35, the corporation was acting within its powers in granting the guarantee.

Had the court not reached a conclusion favourable to the bank in relation to section 14, it would have done so under section 15.

Section 15 provided that the corporation should have power "to do anything and to enter into any transaction (whether or not involving . . . granting . . . guarantees . . . in accordance with the provisions of this Ordinance in that behalf . . .) which in its opinion is calculated to facilitate the proper discharge of its functions, or is incidental or conducive thereto."

The section, arguably in contrast to section 14, defined the corporation's powers according to a subjective test.

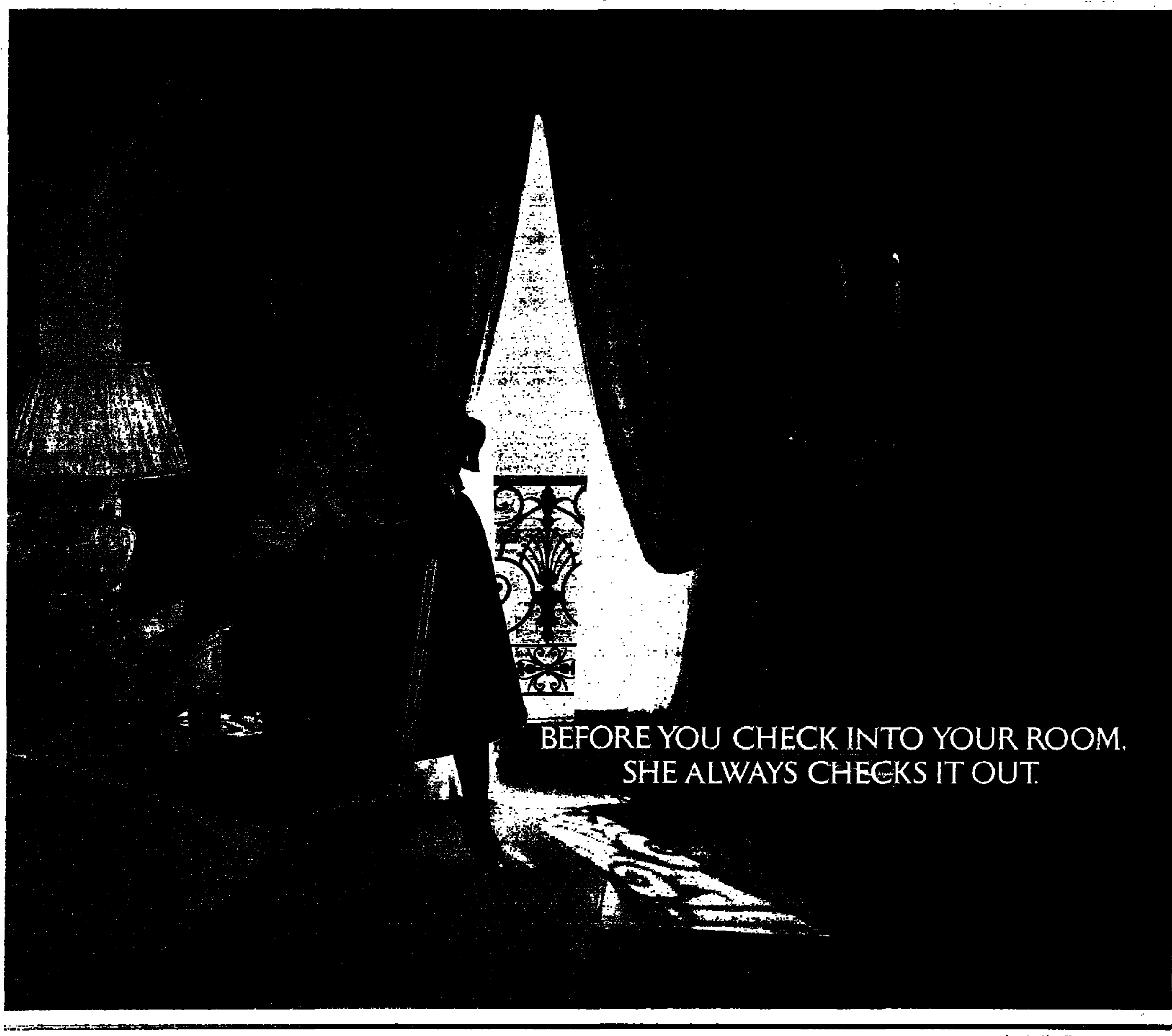
Mr Brindle submitted, however, that the powers conferred by section 15 were still subject to the restrictions to be found in section 14(2)(d).

The submission did violence to the natural meaning of section 15. If the words were given their natural meaning, any constraints in section 14 in relation to guarantees were removed, provided that the subjective test was satisfied.

Summary judgment for the bank.

For the bank: Gavin Kealey (Sinclair Roche & Temperley)
For the corporation: Michael Brindle (Berwin Leighton)

Rachel Davies
Barrister



Pros and cons of managerial qualifications

BY MICHAEL DIXON

THE PROPOSAL that managers should be certified would meet with cheers from most working people in Britain. The reason is of course that, in popular English speech, the word "certified" means "officially declared mad". Whether managers as a species should be labelled with other kinds of certificates, testifying to competence in their work, is a much more open question.

The Jobs column, for one, is instinctively against the idea. Bits of paper signed by bodies of examiners, however eminent, rarely reflect people's practical ability even in activities far less complicated than management. So I feel that issuing certificates which affect people's life chances is in principle undesirable, and to be indulged in only when it is demonstrably necessary.

No such necessity existed in the case of managers when they typically changed company only a few times, if ever, in their working life. But those days have been ended by technological and economic change. Anyone keen for success in management today must be prepared to be highly mobile. There is, therefore a sensible case for enabling all managers to obtain certificates of competence widely recognised by employing organisations.

Steps to that end are being taken by three United Kingdom bodies: the Confederation of British Industry, Foundation for Management Education, and British Institute of Management.

They are jointly campaigning, under the title of the Charter Group, to lift the managerial craft to the status of a pukka profession. And the keystone of their plan is a set of proficiency tests, each one buttressed by a bit of paper that the campaigners hope will gain the respect of employers throughout Britain, and eventually worldwide.

Over 150 UK organisations have shown support for the idea. But others oppose it, not least because they are averse to increasing managerial mobility. One reason why most British employers distrust Master of Business Administration degrees is that they believe the main, if not the only, utility of the MBA certificate lies in enabling its holders to behave in the jobs market like Mexican jumping beans. Many a company suspects that the newly proposed series of qualifications would have a still greater "disappearance value".

Enthusiasts for the scheme do not view such resistance as forbidding. They think that whether the idea is backed by a majority of employers matters less than whether it appeals widely to executive employees. Companies would have to fall in line if managers in general were set on having opportunities of employer-subsidised training leading to recognised credentials, as envisaged in the Charter Group's plan.

But managers in Britain, at least, have never shown much taste for paper qualifications. For example, most of them have even less respect than the average UK employer for business-school degrees, whose holders tend to be caricatured as knowing a lot about management in theory but little about managing in practice. Hence the legend that what MBA really stands for is "More Bad Advice".

Prototype

The implications of that jibe are evidently well known to the British Institute of Management, the first of the campaigning bodies to devise a professional-training structure. For the BIM has tried hard to ensure that the topics to be studied in its programme, and the tests and associated credentials, can be seen by working executives as germane to the actual work of managing.

The prototype design consists of two stages, the first of which will have a trial run in May with a view to its starting for real in November. Candidates will be assessed at the end of each stage. Those who pass in both will get the institute's new Diploma in Management Practice. The idea is that the diploma-winners will in time be able to go on to a third stage, not yet defined, to gain the full professional qualification of Chartered Manager.

While the working executives who take the programme will be encouraged to combine it with some academic study such as the Open University Business School's diploma course, the BIM's focus will be emphatically practical. Tutors and assessors will themselves be successful managers — 1,000 volunteers are already being trained by the institute to act as coaches to people taking the programme.

An idea of its focus is given by the half dozen "modules" covered by the study material provided by BIM for the first stage, which is scheduled to take a minimum of six months to complete. The modules are:

Knowing yourself: including personality and other tests to give confidential feedback on personal make-up, thinking skills, and typical responses to stress.

Managing people: guidance on leadership and motivation.

Problem-solving: methods of turning snags into profitable opportunities and outcomes.

Communicating: writing letters and reports, and addressing meetings.

Managing yourself and time: raising self-efficiency.

Using financial information: management techniques of measurement and control.

In the second stage, intended to take at least 18 months, study will consist of another half dozen modules chosen from a set of 18.

Where people are paying for the programme singly, inclusive fees are expected to be £800 for the first stage and £1,200 for the next. Organisations will be able to buy at package rates: for instance, the fee for six students plus two tutors would be about £3,000 for stage one, and £4,000 for the second.

When the manager-students are deemed ready for the ordeal, they will be transported to an assessment centre and put through a series of exercises before the eyes of a team of manager-assessors. At the end of the first stage at least, one exercise will require them to deal rapidly with the sort of in-tray that might confront an executive in their own type of organisation on a particularly bad day. Other tests will include business games and presentations to meetings.

The judges

Meanwhile the observers will be judging how well they do in each exercise on a scale ranging from lousy to excellent, with the aid of indicators supplied by the BIM of what constitutes a typical performance at each point of the scale. In the end, of course, whether or not candidates pass will depend on the consensus decisions of the observing teams. But there seems to be no reason why their judgements should be a worse measure of competence in real-life management than academic institutions' exams.

That, anyway, is broadly what the institute is proposing as a prototype system of professional qualification. And if readers who work as managers think it worth going through such processes for the sake of mobility-enhancing pieces of paper, who is the Jobs column to gainsay them?

All I would advise is that they should avoid placing too much importance on certificates as a proof of their practical skill. The risks of doing so were shown by a fellow judo-player years ago, soon after the association we belonged to began issuing its members with so-called licences stating the grade they had reached.

The man in question had just won a green belt, three notches below the coveted black. One night he grew impatient with the rowdy behaviour of three lads outside a public house, and when he told them to be quiet they rounded on him. "You watch it! I'm a judo green belt," he said.

Whereupon the biggest of the youths intimated that they did not believe him.

"Oh don't you?," he replied. "Here's my licence..."

The next thing he was aware of was lying in the gutter with a broken head. As he was fishing in his pocket for the licence, another of the trio had stolen behind his back and hit him with a bottle.

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Television/Christopher Dunkley

Whither one-off drama?

Musings on the decline of the single play and celebrations of the strength of the drama serial (which is better suited to the character of television, this being essentially a recidivist's medium) have been appearing in this column since the early seventies. Yet in the first two months of 1988 we have seen an avalanche of single dramas. From Scotland BBC1 has brought us a whole series of "The Play On One," BBC2 has contributed a smaller batch of more expensive filmed dramas in "Screen Two." Channel 4 has offered the single drama series "Tickets For The Titanic" and tomorrow begins a new run of "Film On Four" with the much admired *Dance With A Stranger*.

There have been several other single dramas, too, which were not made as part of a series. The very first day of the year brought both Ayckbourn's unpleasantly violent *Way Upstream* from BBC1 and Wally K. Daly's very funny *The Giftie* on C4. Days later BBC1 gave us *An Affair In Mind*, a Ruth Rendell thriller, unusually well directed by Colin Luke, and one of the best things of its sort for a long time. Even ITV joined in with *Closing Ranks*, Roger Graef's drama about a brutal and corrupt policeman.

So were the fond farewells to the single play premature? In some respects perhaps, and yet, despite the avalanche, it could be said that The Single Play, as that concept was understood in the sixties, is, indeed, almost absent from television these days. In the sixties writers such as Alan Plater, Peter Terson, David Mercer, William Trevor, Peter Nicholls and Dennis Potter were writing television works which took their values from the older dramatic media of theatre, cinema and radio.

In the great days of "Armchair Theatre" and "The Wednesday Play" British audiences received from television a steady supply of one-off drama which benefited from the old disciplines and virtues: character development, narrative structure, deeply pondered ideas; and they were created specifically for this medium. Precious few of today's single dramas fulfil all those definitions. *Dance With A Stranger*, the story of Ruth Ellis, last woman to be hanged in Britain, was launched in the cinema two years ago, and most of those working for "Film On Four" are primarily interested in the cinema. *Way Upstream* was written for the theatre. *An Affair In Mind* was adapted from a book. And those writers listed above who still work for television – notably Plater and Potter – are mainly concerned with serials now.

What has proliferated, and now forms a large part of the avalanche, is another type of single television drama which also came to the fore in the sixties: the sort of work typified by *Cathy Come Home* and *Edna The Inebriate Woman*. The primary concern here is not drama but current affairs. Such productions have become a means for television to give its people the opportunity to make opinionated programmes on topical subjects without falling foul of the rules about balance which govern news and current affairs.

Last night's "Play On One," *Airbase*, was a good example. In this 80-minute piece written by Malcolm McKay and directed by David Attwood there was no real attempt to develop character; very little attempt at narrative, and no evidence of deeply pondered ideas. The most powerful aspect was the sinister atmosphere of paranoia and hysteria, and the point was to express the belief that American aircrew flying nuclear-armed aircraft out of British bases are drunks and drug addicts who are more likely to start World War 3 than prevent it.

Judging from the trickle of evidence available, that is not an entirely untenable idea, even if the exaggeration was somewhat extreme. Moreover if there is to be any strength in the claim that we believe in freedom of expression then it is precisely this sort of uncomfortable suggestion which must be permitted; there is no value in the freedom to express universally accepted and wholly uncontroversial truisms. But whatever the strengths or weaknesses of *Airbase* in terms of propagandist current affairs, it had decidedly little value as a single play.

Precisely the same can be said of the first in the "Tickets For The Titanic" series, *Pastoral Care* by Andy Hamilton. Once again the story concerned an American airbase (there seems to be a remarkable paucity of ideas in this area at present) though this time it was the hostile reactions of the locals to the peace camp outside the wire which was at the centre of the plot, and the way in which the new vicar, having visited the camp, was persecuted by the state via MI5.

Once again there is no reason to object to this on ideological grounds: anybody who has organised protests against possession of nuclear weapons and consequently come up against Britain's covert police operations will know that the casual destructiveness and ineptitude of such secret operators as portrayed here was not even an exaggeration. But that is not to say that this was a good single play. It was not.

The fact is that good drama comes from good dramatists. Some good dramatists may wish to spread a little propaganda (even a lot) or pursue a cause from time to time; but the ability and the desire, perhaps even the passionate urge, to create good drama must come first. You very rarely see good drama emerge as the result of a primary desire to preach or proselytise, and neither Roger Graef's police drama *Closing Ranks* nor William Nicholson's *The Vision* did anything to change that generalisation.

The most remarkable fact about these two productions is that they were transmitted on the same night at exactly the same time. Fortunately, thanks to the VCR, most of us can now snap our fingers at such anti-viewer planning on the part of the broadcasters, and watch both. What we saw was certainly not bad drama; indeed the acting, camerawork, and production values generally were very high on both. But in each instance what emerged most strongly was a Message with a capital M.

It was impossible not to see *The Vision* with its apocalyptic view of satellite broadcasting as part of the BBC's (doubtless largely unplanned) campaign of vilification against the new television technologies. They could, after all, represent a considerable threat to the future of the Corporation.

Closing Ranks may have had an even more interesting rationale. Roger Graef is known in Britain as the man who produced such fly-on-the-wall documentary series as *The Space Between Words* and *Decision*, but before coming to this country he had worked chiefly as a drama director in the USA. His series of documentaries called *Police* about the Thames Valley force was much discussed, but – in my view, anyway – served largely to show what happens when you put a film crew inside a police station.

Perhaps vérité filming of that sort showed us a truth which told a lie, failing, for instance, to illustrate the true brutality and corruption of some officers. On the other hand Graef's first love, drama, though not strictly "true" is an art, and art is a lie which can tell us the truth.

Whether or nor that was the thinking, it worked that way, and although there were certainly dramatic moments in *Closing Ranks* and some remarkably good performances, the dominant impression in the end was of a lesson. As with Brecht or the Shell Film Unit, however impressive the professional expertise there was no mistaking the primary purpose: to convey a message.

Again there is not necessarily anything wrong with that (except when, as in the case of Aids, television consistently and deliberately misrepresents reality: see Tonight's Television below). But the result is not what Sydney Newman or Irene Shubik or Dennis Potter meant by "The Single Play," and that is why, despite the avalanche, we are still right to be bidding it farewell.

Anton Lesser, David Lansbury, Clive Mantle and Rico Ross in "Airbase"

New York City Ballet

David Vaughan

At the outset, New York City Ballet's season last winter seemed unlikely to hold many surprises, with five of the fourteen weeks devoted to *The Nutcracker* and only one new ballet, by Jerome Robbins. Not that any City Ballet season could be called routine, when there are superb performances of such ballets as *Liebeslieder Walzer*, *Le Tombeau de Couperin*, *Raymonda Variations*, and *Brahms/Handel*, to name a few. But by mid-February there had been two major, quite unexpected events: the return of Suzanne Farrell and the guest appearance of two young dancers from the Bolshoy Ballet, Nina Ananiashvili and Andris Liepa.

The Robbins' ballet hardly came as much of a surprise. *Ives, Songs* was a kind of throwback to Robbins's Ballet Theatre days, when he was a junior choreographer in a company led by Antony Tudor. As in Tudor's *The leaves are fading*, a figure wandered through the ballet, observing (or remembering) the scenes that passed before him, scenes of childhood, youth, and early adulthood. Robbins does not avoid the trap into which choreographers who use songs as their accompaniment can so easily fall (though Tudor didn't in *Dark Elegies*): that is, he too often illustrates the words with movement and gesture so that it is the songs that are evoking or expressing the emotion – in effect, doing his work for him.

It is now some eighteen months since Suzanne Farrell retired, as it seemed, to have a hip operation, and performances from such artists as Kyra Nichols, Darci Kistler, and Maria Calegari have not stopped us from missing Farrell in the ballets she created. Naturally, roles demanding virtuoso technique are beyond her at present, but she returned in a quintessentially Farrell part – the last of the Vienna Waltzes, the suite from Richard Strauss's *Der Rosenkavalier*, in which she crosses the stage wearing a long white ballgown and dances (or dreams she dances) with her beau. She seemed very happy to be back, and her exit with its reckless backbend was as thrilling as ever.

The arrival of the Bolshoy dancers brought additional excitement to the final weeks of the season: the appearance of Soviet dancers who are not defectors or immigrants with a major American ballet company is not exactly an everyday occurrence.

They made their debut in Balanchine's *Raymonda Variations*. The difference in style was immediately apparent on Ananiashvili's first entrance; her movement was luscious, juicy, as opposed to the more astringent City Ballet style. Glazunov's music, at least, was familiar to the Bolshoy dancers, if not Balanchine's treatment of it: the Bolshoy way is to luxuriate in the music, while City Ballet dancers press forward urgently into it.

The Bolshoy pair danced only one solo each in this ballet. They had trouble with some of the partnering: Balanchine's double work has less to do with big lifts and other acrobatics than with off-center promenades and posés, and Liepa did not always keep his partner on balance. They were obviously nervous, but it seemed clear that they needed not only more rehearsal but classroom study too to find their way into this foreign style. Contemporary Soviet training tends to scant whole areas of ballet technique, especially that of allegro; Soviet choreography does not call for it, so Soviet teaching does not concentrate on it.

For their second ballet, *Symphony in C*, the two were separated: she danced the slow movement, with Otto Neubert, and he the third, with Melinda Roy. Ananiashvili's expansive movement and gracious manner made her look much more at home, and she held her own in the finale line-up of ballerinas; but Liepa looked immature and slapdash, as he had in *Raymonda*.

The closing night of the season was City Ballet's version of a "highlights" gala, to benefit the Dancers' Emergency Fund. The Russians danced one of their familiar *pas de deux*, from *Le Corsaire*, and essayed selections from Balanchine's *Apollo*: her soulful expressions and his callow manner were ill-suited to its cool classicism. The evening included two excerpts from *The Sleeping Beauty*, which the company is planning to mount in its entirety. In the grand *pas de deux*, Merrill Ashley displayed her incomparable allegro technique. In the Rose Adagio, Kyra Nichols began shakily, but pulled everything together for the final balances in attitude, indicating, perhaps, that all dancers need time to adjust to an unfamiliar style. But Nichols's incandescent performances this season in *Raymonda Variations* and the "Diamonds" section of *Jewels* leave no doubt that in her case, practice will soon make perfect.

Journey's End/Nuffield, Southampton

Martin Hoyle

Nicky Henson

The test of a great play is not whether it leaps off the page when read but if it comes to life on stage. R.C.Sherriff's successful slice of World War I trench life is now a set book, which explains why the Nuffield, Southampton, is packed with impeccably attentive youngsters laughing at all the right places. For, despite fears about the public school ethos that marks the chief characters, Justin Greene's direction is so right in weight and rhythm that the play leaps to triumphant life.

In Sarah-Jane McClelland's claustrophobic dugout set, the world is complete and real. As ever, the small things count most: food, wet socks, an unexpectedly sunny day, chants birdsong. The characters are a more extensive cross-section of society than the conventional officer class: grizzled schoolmaster, Osborne ("uncle" to the younger officers, as Evelyn Waugh's Crouchback would be to later combatants); the tubby, common Trotter, with his awful jokes and photographs of his beloved Hollyhocks (rotund Tim Kightley, ideal); and public school idol Stanhope, disgusted and disillusioned, living on whisky and shattered nerves.

The new arrival, his hero-worshipping school chum, is played by Andrew Castell, initially a clean-cut laughing boy whose cries of "topping" provoke laughter with, not at, him, whose attempts at a pipe are touchingly absurd; and who, like the whole production, scrupulously avoid mawkishness and upper-class caricature.

Moments of clipped, allusive dialogue anticipate Coward (who, when young, played Stanhope on tour), but there is no patronising of cheery vulgarian Trotter, who "makes things feel natural." Above all, there is no preaching in the cumulative indictment of waste, as reticent and understated as its schoolboy hero over killing which "seems rather silly, doesn't it?"

Nicky Henson's schoolmaster displays masterly casualness. Alan Barker almost overlays the cowardly Hibbert – needlessly, since this intelligent actor convinces in hiccupping sobs and caddish comedy. Perhaps he tries to compensate for a barely adequate Stanhope. In the part created by Olivier exactly 60 years ago, Jason Connery is blank of face, wooden of movement, and monotonous of voice. But even this mechanical cipher cannot detract from a fine production of a fine play.

Brecht-Weill, De Simone/Milan, Naples

William Weaver

Italian opera houses these days are expanding their activities into subsidiary halls. In Rome, the Teatro dell'Opera uses the gloomy Teatro Brancaccio for concerts and other events; the Teatro Comunale in Florence has built, off its foyer, an attractive chamber theatre (so far, little exploited); La Scala mounts works in the vast Teatro Lirico (the new Stockhausen will be given there later this season) and also co-opts the Piccolo Teatro, the now historic house of "spoken" theatre. And, last year, in Naples, the lovely old Teatro Mercadante, tastefully restored, reopened under the auspices of the Teatro San Carlo.

Milan's Piccolo Teatro, founded shortly after the second World War, quickly earned a reputation for aggressive high mindedness, an intellectual flower in a city with a reputation for crass materialism and bourgeois reaction. As a current poster in Milan firmly declares: "The Piccolo Teatro is culture." And to prove it, as part of their young people's programme, they are performing the Brecht-Weill school parable *Der Jasager* and its epilogue *Der Neinsager*. As directed by Lamberto Puggelli, who also takes part – as compère-producer – in the performance, these didactic pieces appear particularly ambiguous, not to say nasty. A story whose moral seems to be that it is all right to throw a classmate off a cliff, provided he makes no objection and provided the cause is good, leaves, today, an unpleasant taste. And the children who act in the production, for the most part, have a brattish quality that would make me quite uneasy were I their classmate.

As one expects of the Piccolo the production is flawlessly conceived and well executed. The group of players is precisely conducted by Emilio Pomarico, the singers – mezzosoprano Claudia Nicole Bandera and the baritone Giancarlo Ceccarcini – ably do what is asked of them. The actors and the band of children are thoroughly drilled, even in their supposed improvisations. But the effect is chilling, perhaps more alienating than even Brecht would have wished.

★

Going from the austerity of the Piccolo to the 19th-century gold and red plush of the Teatro Mercadante, you enter another world. This is culture, too; but there is no hectoring about it. As part of the celebration of the San Carlo's 250th anniversary, at the Mercadante they are reviving Roberto De Simone's *La Gatta Cenerentola*, a "fairytale in music," based on traditional sources, both literary and musical. Originally created at the Spoleto Festival in 1976, this exuberant, wry and moving version of the Cinderella story has become a legend.

For about two decades musicologist, composer, producer, De Simone has studied and made use of Southern Italian folk music and literature to create some unforgettable productions, of which this is the most important and complete. At the same time, he has formed and trained a little troupe of devoted players, admirable in their versatility. Following tradition, many of the female roles are played by males, but there is no simpering or leering; and it would be hard to find an actress who could make a more menacing or uproarious Stepmother than Rino Marcelli. On the other hand, the actress Isa Danieli, a kind of Neapolitan Anna Magnani, plays two parts with breathtaking bravura. Similarly, Giovanni Mauriello is a sinister "little monk" who figures in many folk tales of the South; then later he is the agile, but tragic "femminella," the transsexual familiar also in other neapolitan tales.

De Simone's music ranges from moments of baroque grandeur to scenes of eerie efficacy, based on hardly more than whispering and stamping. In the great dance of the laundresses, it is exhilarating to see members of the orchestra abandon their sophisticated instruments to take up the simpler noise-makers of a more ancient world; and De Simone himself, on the conductor's podium, lays down his baton and enthusiastically plays a tambourine.

Besides conducting the forty-piece orchestra, De Simone is also responsible for the inventive, but never oppressive, staging (the costumes of Odette Nicoletti and the sets by Mauro Carosi, De Simone's regular collaborators, are fanciful and yet simple). The fun, the excitement come from the work and the players. In the loud, long ovation De Simone was given it was easy to sense a note of regret; he has recently resigned as the San Carlo's artistic director, apparently forced out by political pressures together with the former general manager, Francesco Canessa. Italian politics penetrate every area of Italian cultural life; it is a miracle that, all the same, Italian culture survives and flourishes.

YMSO/Elizabeth Hall

Paul Driver

The Young Musicians' Symphony Orchestra floats freely from one London venue to another, and on Monday it was to be found in the Queen Elizabeth Hall for performances not of its favoured blockbuster repertoire but of strictly classical pieces on a scale in keeping with the auditorium. James Blair directed an energetic account of Weber's *Der Freischütz* overture; Stephen Hough was a completely dazzling soloist in Hummel's virtuosic A minor Piano Concerto, Op. 85, and the main business was a rendering of Brian Newbould's 1977 realisation of Schubert's sketches for his 7th symphony.

Attempts to salvage the abandoned projects of famous composers have become frequent of late. Deryck Cooke and numerous others have filled out the draft of Mahler's 10th symphony, Newbould has also completed Schubert's 10th and the scherzo of his 8th symphony; an American musicologist has produced a version of the missing finale to Bruckner's 9th, and only last week it was announced that a British musicologist has pieced together newly discovered sketches of Beethoven's 10th for performance.

Newbould's success with Schubert's 7th – the link between the lightness of the 5th and 6th symphonies and the weight of the 8th and 9th – is not inconsiderable. It would be a daunting enough academic exercise to harmonise in a merely "correct" way the 1200 bars of melody line which is all that exists of the work apart from a fully Schubertian *incipit* of 110 bars, but Newbould has managed to sustain our interest much of the time and even flirt occasionally with the composer's *daemon*.

The first movement – an Adagio-Allegro with (as Newbould emphasizes in his note) a Rossinian sparkle and full of light dotted rhythms – was perfectly agreeable to the ear if not much more than that; while the Andante seemed initially attractive but proved bland (creative opportunities were surely missed?). The scherzo was heavy and assertive but in a way that still looked back to Rossini rather than forward to Bruckner; the treatment was rather jejune. It was in the lengthy finale that the ear was chiefly held, both by Schubert's original material and a harmonic risk or two taken by Newbould in the handling of it. The orchestra played with great spirit.

Arts Guide

February 26-March 3

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess (Rosemary Harris). Hugh Whitemore's play shuffles a tripartite correspondence to provide Gielgud, now 83, with a perfect vehicle. (437 2663, CC 434 3598)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NETHERLANDS

Arnhem, Schouwburg. The Lamda Theatre Company of London in A Midsummer Night's Dream (Wed). (42 27 41).

NEW YORK

Serious Money (Royale). For its move to Broadway, Caryl Churchill's devastating puncturing of the international financial community gets a new cast led by Kate Nelligan under Max Stafford-Clark's direction. (239 6200).

Fences (46th Street). August Wilson hit a home-run; this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. But so hard are tickets to come by that travel companies are advertising packages to London with promises of tickets to see the show there. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Mail (Eisenhower). A Broadway-bound musical delivers the post that accumulates and comes to life for a New York teacher after his escape to the mountains of Vermont. Ends March 30. (254 3670).

CHICAGO

Landscape of the Body (Goodman). John Guare's 1977 surrealistic view of an American family, combining mystery, murder and lyrical passages features Amy Elizabeth Geis, Ray Bradford and Gary Cole in Robert Falls' production. Ends April 2. (443 3800).

TOKYO

A Streetcar named Desire (Imperial Theatre). This could prove to be the theatre event of the year. Japan's most distinguished director, Yukio Ninagawa (whose Macbeth and Medea have triumphed in Edinburgh and London) has transposed Tennessee Williams' play from New Orleans to Tokyo in the aftermath of the Great Earthquake of 1923. One of Japan's finest actresses, Ruriko Asaoka plays Blanche Dubois. Begins tuesday. (201 7777).

Kabuki (Kabuki-za). Tokyo's main kabuki theatre celebrates its 100th anniversary this year and this month features Kana Dehon Chushingura based on the story of the 47 loyal retainers. In two parts, at 11am and 4pm. Excellent English earphone commentary. (541 3131).

Princess Sakura's Storybook of Dawn (Parco Space 3). This all-male company was founded in 1983 and presents neo-kabuki, combining elements of the traditional theatre with modern jazz dance etc. Begins thursday. (477 5858).

Me and My Gal. Takarazuka Theatre. Thirties musical, recently revived successfully in London and New York and performed here in Japanese by an all-girl cast. Begins Thursday. (201 7777)

D'Oyly Carte rises from the ashes

"Loudly let the trumpet bray," said broadcaster Richard Baker, quoting Iolanthe, and a troop of army trumpeters yesterday blasted the re-entry of the D'Oyly Carte Company into British theatrical life. The suitable setting was the Savoy Hotel built by impresario Richard D'Oyly Carte on the profits of the original company.

The first D'Oyly Carte company, which had immortalised, not to say embalmed, the Gilbert and Sullivan operettas for a century, disappeared six years ago, when the Arts Council refused to give a grant to what it described as "an elderly actress tottering off to the wings for a well earned rest."

But now D'Oyly Carte rises again, thanks, it must be admitted, to a death. Dame Bridget D'Oyly Carte, who died last year, left £1.4m in her will to fund a new opera company, and the interest from that sum, plus £100,000 from British Midland Airways (entering arts sponsorship for the first time) and £50,000 from the Trustees of the Friends of D'Oyly Carte, which has kept going for just this contingency, has enabled the enterprise to start up again.

A national tour starts at the Empire Theatre Sunderland on April 28 and then visits Norwich, Edinburgh, Nottingham, Crawley, Birmingham, Leeds, Manchester, Oxford and Northampton with entirely new productions of *The Yeomen of the Guard* (a hundred years old in 1988), and *Iolanthe*. A London engagement is looked for, ideally at the Savoy Theatre, but that depends, unfortunately, on the demise of another musical, *Kiss Me Kate*, currently playing there.

At the launch, the new music director Bramwell Tovey, formerly conductor of the Sadler's Wells Royal Ballet, made it perfectly clear that devotees of the old touring D'Oyly Carte productions would be in for a disappointment.

"The stage business became more important that the comic situations on the stage in the final years. We will be putting right some of the vocal insertions added by the performers." In effect Tovey is going back to the original scores and hopes to present authentic uncluttered G & S.

In an attempt to guarantee freshness he has auditioned almost 700 singers, for a chorus of 32, and 250 musicians. Only Gillian Knight survives from the old days. The costumes of the principals will also be new, although Yeomens' uniforms have been rescued from storage. The company does not budget for a profit, but expects that if audiences equal the old support it will not make a loss.

Antony Thorncroft

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Wednesday March 2 1988

Medium-term tax strategy

ONE GOOD Budget does not amount to a sound macroeconomic policy. Governments have to prove themselves by pursuing coherent policies over a period of years. In the sensitive field of tax reform, the need for a medium-term approach is, if anything, even more pressing. Both Sir Geoffrey Howe and Mr Lawson made considerable fiscal progress in their first Budgets (1979 and 1984 respectively), but neither was able to deliver a convincing programme of reform in following years. The challenge on March 15 is to remedy this deficiency: Mr Lawson needs to set out tax reform plans for the whole of this parliament; not merely dazzle the House of Commons with his fiscal ingenuity on the big day.

The Government can decide on a programme of reform only if it has a clear idea of the role of taxation. The primary purpose of taxes, of course, has been to finance public expenditure. But, traditionally, they have also been used as an instrument of redistribution and as a powerful tool for influencing the decisions of private individuals and companies. The tax privileges of pension funds are thus a reflection of government desire to stimulate private sector provision for old age; the higher rates of income tax testify to the importance once placed on achieving a fairer distribution of income and wealth.

Apparent simplicity

One extreme view is that the only purpose of taxation is to raise revenue to finance necessary public spending (which would include a "safety net" of welfare benefits for the very poor). Accordingly, income tax should be levied at a single flat rate. All special reliefs and allowances should be scrapped because governments should not in principle wish to influence the economic decisions of individuals or companies. This latter doctrine is known as "fiscal neutrality." Advocates of flat rate taxes and fiscal neutrality believe such measures would enhance the overall efficiency of the economy.

This free market approach is appealing because of its apparent simplicity. But it is not backed by solid evidence. The thesis that deviations from fiscal neutrality cause large reductions in economic welfare has proved hard to establish (in general macroeconomic policy changes seem to have much larger effects). At the same time, as the Institute for Fiscal Studies has argued, there is little evidence either to support or refute the hypothesis that lower tax rates in themselves improve economic performance.

The Government should thus remain committed to some modest redistribution through the tax system. The principle that taxes should vary according to "ability to pay" should be heeded: high earners can well afford to pay a larger share of their income in tax than those at the bottom of the pile. Any cuts in top rates should thus be balanced by restrictions in other benefits for the better off.

Influencing behaviour

Pragmatism may also be desirable on the issue of fiscal neutrality. It often does seem sensible to use the tax system to influence people's behaviour. This, after all, was Mr Lawson's motive in introducing small incentives for profit sharing and personal equity investment. Nor is the Government necessarily wrong to tax alcohol and cigarettes heavily; fiscal incentives have a useful role to play in preventative medicine. The important point is that deviations from fiscal neutrality need to be constantly reassessed in the light of changing economic needs; concessions or penal taxes should not be allowed to outlive their usefulness.

Changes in the tax system should be contemplated only when the economic gain is clear. Many of the reforms which have been advocated in the past represent no more than a wish for a tidier system. An extension of value-added tax to food or children's clothing, for example, would be unlikely to solve many problems; it would not be an economic priority even if it were politically possible, which it is not.

That said, there is still huge scope for far-reaching change. The Government has yet to put the taxation of husband and wife on a rational footing. It has announced only very partial reforms of national insurance contributions, which remain a crude and unfair levy. It has yet to come to terms with very large distortions in the fiscal regime for savings and investment. It is taxing companies more heavily than ever before and failing to recognise the impact of inflation on corporate profits. Its reforms of capital gains and capital transfer taxes are heavily criticised.

These and many other failings can be corrected only through a medium-term programme of changes. Many of the flaws in past reforms reflect the Government's unwillingness to consult. Pulling rabbits from budget hats is fun, but it is not a reliable route to fairer and more rational taxes. The Treasury is not the repository of all wisdom on fiscal matters. It needs to seek advice more often.

Priorities for Afghan talks

PEACE TALKS aimed at ending the Soviet occupation of Afghanistan resume in Geneva today amid an unprecedented international air of expectation that they are, finally, going to succeed.

By a deft piece of footwork Mr Mikhail Gorbachev, the Soviet leader, is turning ignominious defeat in Afghanistan into partial triumph. He has dropped his insistence that an interim government be formed in Kabul prior to withdrawal and, by this concession, has ensured that, if his troops are not pulling out by May 15, a date offered by him, he will not be to blame.

He has been aided unwittingly by Pakistan, whose staunch opposition to the Soviet occupation has earned it the unqualified support of the US. If this latest round of Geneva negotiations collapses in disagreement, Pakistan, by making demands on what happens after the withdrawal, will have to shoulder the blame for delaying the Soviet exit. Such a price is too high.

The timescale

The key players in the Geneva talks, started six years ago, are Pakistan, host to more than 3m Afghan refugees and leaders of many of the mujahideen guerrilla groups, and the Soviet-backed Afghan Government. Mr Diego Cordovez, the UN mediator, shuffles between the two sides, his official brief being limited to securing a timetable for the withdrawal of Soviet troops. He feels that there has been enough movement on the complex details concerning the mechanics of a withdrawal for the talks to resume today.

Disagreements remain. How long should the withdrawal take? What about the "front-loading" – the amount of key equipment and troops withdrawn in the first couple of months? Other issues include whether US aid to the mujahideen ends with the agreement, or when the withdrawal begins 60 days later, or is phased out during the withdrawal. But, given Mr Gorbachev's determination to get his 115,000 troops out, none of these points seems beyond the reach of negotiation.

Legitimate anxiety

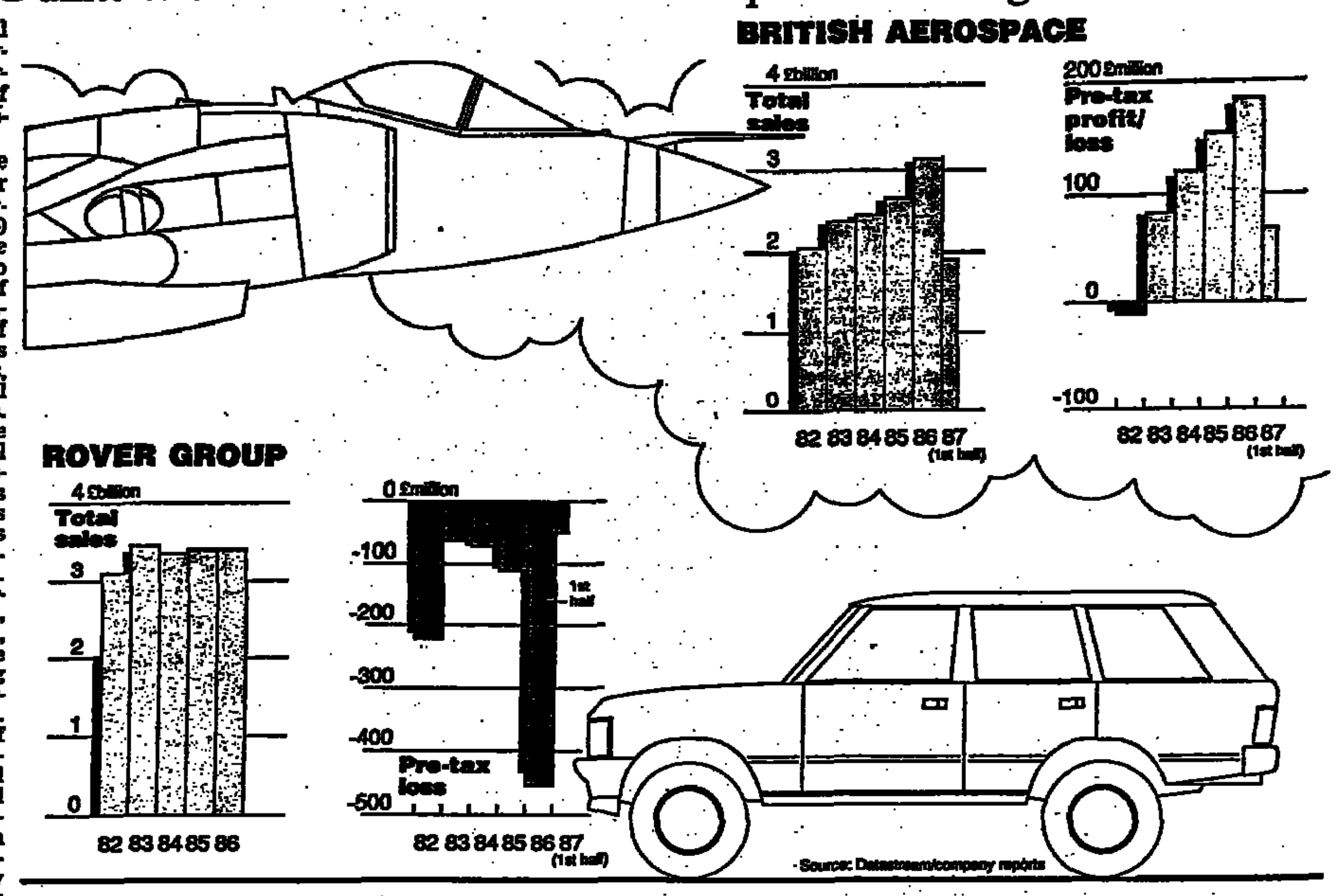
Mr Cordovez has also been engaged unofficially in the last year or so in discussions about possible permutations for an interim government in Kabul. But this is a topic outside his remit and is not on the Geneva negotiating agenda. Making it a precondition for settlement is a red herring and is no less deliberately obstructive when used by the Pakistanis than it was when persistently deployed by the Russians.

Pakistan does have legitimate anxieties about what might happen once the Russians leave, if they go before a broad-based transitional government is in place in Kabul. The present Communist regime might cling to power, or the mujahideen groups might turn on each other, either of which could cause chaos on Pakistan's border and deter the Afghan refugees in Pakistan from going home.

Alarming though these possibilities are, Afghanistan's political future is ultimately a matter for Afghans. The outlook seems bleak and every effort should be made to find an acceptable compromise quickly. Yet failure to do so is not asufficient reason to prevent the super-powers from leaving a conflict which seriously distorts east-west relations and policy goals. To fail would be tantamount to an admission that a Soviet occupation is preferable to self-determination and that the Afghans should not have the right to be left to make the best or worst of their own country.

Geoffrey Owen looks at the background to British Aerospace's proposed bid for Rover Group – a deal that would unite two of Britain's best-known companies and largest manufacturing exporters

An engagement is announced



THERE ARE obvious political attractions to the Thatcher Government in the proposed purchase, announced yesterday, of Rover Group by British Aerospace.

It will at last move Rover, the residue of British Leyland Motor Corporation (created with government encouragement in 1968) out of the public sector. Unlike the transfer of Leyland trucks to a company controlled by Daf of Holland, it is an all-British solution. Unlike the proposed sale of Austin Rover to Ford, which was called off after political protests, it does not involve physical rationalisation or loss of jobs.

The deal will be expensive to the taxpayer – the purchaser will press for substantial debt write-offs – but ministers will see this as a price worth paying. What is far more open to doubt is whether the deal makes industrial sense for the two companies.

At the press conference yesterday Professor Roland Smith, chairman of British Aerospace, stressed the synergy between the two companies – in engineering technology, in marketing, in purchasing and in quality standards. He pointed to the example of other vehicle companies, particularly Daimler-Benz and General Motors, which had diversified into aerospace for similar reasons. Yet in these cases, which have met with a generally sceptical reaction in West Germany and the US, the circumstances and motivations of the acquiring companies were rather different.

Daimler-Benz's investment in electronics through AEG, in aerospace through Dornier and in aero-engines through MTU was prompted mainly by the desire to find alternative sources of growth in case the car and truck business stagnated. While there are possible linkages in technology, especially in automobile electronics, Daimler is prepared to take the long view and it is not rushing to integrate its new acquisitions. It is also taking a cautious view of suggestions that it might take control of Messerschmitt-Boelkow-Blohm, the German partner in Airbus.

Similarly the attraction to GM of the misleadingly named Hughes Aircraft, which it acquired in 1985, was its electronics expertise. GM merged Hughes with Delco, its in-house electronics and electrical subsidiary, and hopes to use Hughes's research capability in such areas as anti-lock braking systems, night vision, collision avoidance systems and display panels. Mr Roger Smith, GM's chairman, sees the integration between car manufacturing and advanced electronics as probably the most important long-term trend in the industry and his main contribution to the company. British Aerospace, by contrast, is not primarily an electronics company. While both BAe and Rover are concerned with advanced manufacturing technology, the degree of overlap appears to be small.

Both British companies, moreover, have serious problems in parts of their business. Will the merger make these problems easier to solve?

British Aerospace, which itself had a spell in government ownership between 1977 and 1981, has a thriving business in military aircraft and guided missiles, but about a quarter of its turnover is in civil aircraft which is at present making losses. This side of the company has been hit by short-term difficulties, notably the weakness of the dollar, which has gravely hit the profitability of the Airbus. BAe's own civil projects are at an early stage in their lives and thus absorbing large amounts of cash.

BAe is a relatively small player in the world civil aircraft market – hence the alliance with the French, Germans and Spaniards in Airbus – and is likely to struggle to make profits in an industry dominated by the Americans. It is true that BAe has been enlarging its defence business, for example through the purchase of the state-owned Royal Ordnance. No doubt, therefore, Land Rover will be a useful addition to its portfolio of defence-related products. The absorption of Rover Group as a whole, however, seems irrelevant to BAe's problems on the civil aircraft side.

The attraction of the deal to Rover seems to lie less in industrial synergy than in becoming part of a larger and potentially stronger group within which its existing strategy can be pursued. Over the past decade the old British Leyland has been slimmed down, by a process of closure, divestment and joint ventures, so that what is now called Rover Group consists of two main elements, the Land Rover/Range Rover four-wheel-drive vehicles and the so-called volume car business of Austin Rover. The former, which is not fully integrated with the passenger car side, is just profitable, has a good market position especially in the developing world and could be sold as a separate unit; indeed, several buyers, both British and foreign, have often expressed interest in it. The central problem remains, as it always has done, on the car side.

With an annual output of around half a million cars a year Austin Rover sits uneasily between the genuine specialists like Jaguar and the high-volume producers like Fiat, Renault and Volkswagen. Successive managements have sought to overcome the scale disadvantage in two ways. They have attempted to move the cars up-market and thus to charge a higher price (hence the growing reliance on the Rover name, less associated with the mass market than Austin or Morris). And they have formed joint ventures with other companies, thus spreading the costs of development and production over a larger volume of components or vehicles.

The most important partner is Honda of Japan, where the agreement involves both the joint development of cars and the manufacture of Honda vehicles under contract in Rover's UK factories. This strategy has been accompanied, most successfully under the present chairman, Mr Graham Day, by a strenuous effort to cut costs and improve productivity.

The chances of the strategy succeeding look better than they did a decade ago, partly because advances in manufacturing techniques have improved the economics of low-volume production. Yet in the long run it has always been difficult to envisage how Rover could succeed on its own in the world market. Its market position in the UK is not nearly as strong as, say, that of Fiat in Italy or Renault in France. It has only just re-entered the US, while its sales on the Continent of Europe, though improving, are a long way behind the leaders. Rover still needs larger financial and technical resources, to keep up in the model development race, and a wider distribution network. British Aerospace may possibly be able to make some contribution to the first of these needs, but not to the second.

Civil aircraft and medium-sized cars are two of the most intensely competitive world markets – as the two companies know to their cost. So while understandable enthusiasm was expressed yesterday by Lord Young, Trade and Industry Secretary, and the two chairmen about an all-British deal bringing together two of the country's leading exporters, there are many questions still to be answered about the industrial and financial details of the scheme.

Whether the three parties will reach agreement on terms is far from certain. Furthermore, it is possible that the Government's obvious eagerness to sell Rover will prompt other suitors, such as Ford, to re-enter the bidding and offer a higher price than British Aerospace. Indeed, BAe might find itself the subject of unwelcome takeover approaches – which some shareholders might find more attractive than this totally unexpected plunge into the motor industry.

Additional reporting by Anatole Kaletsky in New York and Andrew Fisher in Frankfurt.

BRITISH AEROSPACE

British Aerospace's approach to Rover is the latest in a series of acquisitions designed to move it away from reliance on the aerospace sector.

Rapidly rising costs have made new ventures in civil and military aircraft and space vehicles more difficult to launch. The only big new military combat aircraft in prospect is the European Fighter Aircraft project with West Germany, Italy and Spain.

In big civil aircraft, the Airbus airliners for which BAe builds all the wings still lose money. The new A-330 and A-340 Airbuses will eat up BAe's cash for some years to come. The 1987 results will show heavy exchange losses on dollar-denominated civil aircraft sales.

So BAe has been looking for acquisitions. These include the purchase of the Royal Ordnance Factories from the UK Government for £190m; a 41 per cent stake, for $28m, in Reflectone of Tampa, Florida, which makes simulators and training systems; the takeover of Ballast Nedam Group of Holland, a construction company, for $90m; and a 23 per cent stake in the UK computer services company, Systems Designers, for an undisclosed sum.

Michael Donne

THE BAe BALANCE

1st half 1987 (unaudited)

Sales (£m)	
Civil aircraft	314
Military craft	862
Guided weapons	642
Space	77
Total	1,895
Trading profit (£m)	
Civil aircraft	(49)
Military craft	80
Guided weapons	89
Space	1
R&D	(30)
Total	91

THE ROVER GROUP

ROVER has spent tens of thousands of pounds over the past two weeks advertising that taxpayers, who have sunk £2.9bn in the past 10 years into the group, will find its results on March 10 "mildly surprising".

This hint of a return to profitability has been made possible by a mix of measures since Graham Day, Mrs Thatcher's choice as executive chairman of Rover Group, took up office in May 1986.

They include the disposal of the heavily loss-making Leyland Trucks business, deep cuts in fixed costs and withdrawal from the UK new car price war.

The record 1986 net loss of £892m was followed by a first-half loss of only £42m last year. Mr Day confirmed yesterday that the full year would show a profit before tax and interest.

Car production by the group's Austin Rover subsidiary, at around 465,000 units last year, was up 15 per cent on 1986, but still below the 1979 level of 503,000. Exports rose to 140,000 units from 120,000 in 1986 partly thanks to a luxury model, the Rover Sterling, made in partnership with Honda of Japan. But this was offset by problems at home where market share fell below 15 per cent for the first time.

Austin Rover is heavily reliant on Honda for a new range of medium-sized cars. These, code-named R8, are to be launched next year. The only stand-alone model programme is a revised version of the Metro to be launched in 1990.

Land Rover is marginally profitable, but under strong attack from Japanese competitors. Land Rover sales have fallen from a peak of 60,000 in the mid-1970s to under 19,000 last year, although Range Rover sales rose to over 20,000 units from 14,800.

The group also has a 40 per cent stake in the Leyland DAF trucks group.

John Griffiths

OBSERVER

Hard times at the races

The March Hare was behaving quite sensibly as it tried to dodge the jaws of two pursuing greyhounds in the corner of a Lancashire field. The madness was elsewhere, as hare-coursing supporters confronted anti-blood-sport protesters, divided by police and the line of a hedge.

The battle of the Waterloo Cup has become an annual event to be won or lost on the coursing fields of Altcar, near Liverpool. Yesterday, there were 12 arrests after about 3,500 supporters, 500 protesters, and 150 police gathered for the start of the three-day event, the blue ribbon of hare-coursing where 64 greyhounds compete for the £4,000 first prize.

The dogs are coursed in pairs, pursuing wild hares across a 50-acre field. A red-coated "slipper", who holds the dogs, gives the quarry an 80-yards start and points are awarded for closing on the hare and turning it. Sometimes the hare escapes; sometimes not.

In the last century there were times when 80,000 lined the Withans fields where the coursing takes place. Peter Atkinson, a member of the Waterloo Cup committee, said: "It was so popular then that carrier pigeons took the results back to London. But, while the London Stock Exchange closed for the Waterloo Cup, Parliament rose for the Derby."

William Lynn, who started the event in 1836, was so successful that he founded the Grand National Steeple Chase to slot between Waterloo Cup days as an added attraction. William Hill, the bookmaker, launched his career here, and Joe Coral used to be a familiar face at Altcar just after the war.

But, while you can still lose your moleskin shirt there, its popularity is declining, partly because of moral arguments and partly because of the advent of the electric hare.

Yesterday stones and a smoke bomb were hurled and coursing heavies waded into any protestors who broke ranks, if the police didn't get there first. Still, the demonstrators seemed to enjoy it.

Banking failure

Coutts, sometimes described as the top people's bank, had a temporary cash shortage at its Fleet Street branch yesterday. An early customer was obliged to borrow £10 from the doorman.

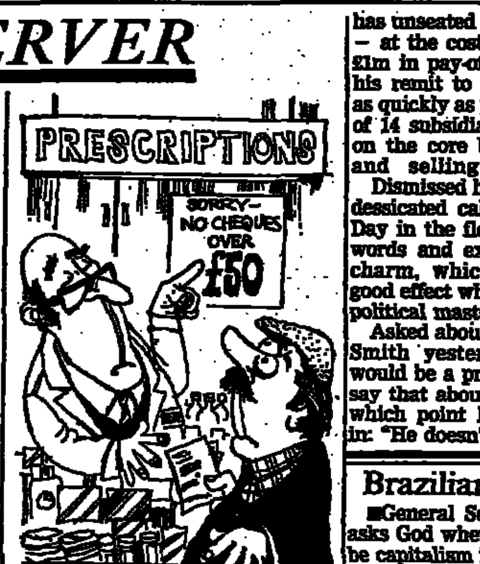
The strong room door had failed to unlock. But, said a spokesman, we had money round from another branch in 10 minutes and the safe was cracked within an hour.

Chairman Smith

Roland Smith, 59, is a professor of marketing, and over the years has marketed himself very well. Now chairman of British Aerospace, he has a string of chairmanships, directorships and consultancies behind him. "What he loves doing," says a leading merchant banker, "is being on boards, and even more he loves being chairman – just loves it."

His early career was chequered, perhaps even accident-prone. When he took the chair at Senior Engineering in 1976, for example, the company was producing £2.2m pre-tax; a decade later when he was still there the profit was just the same. Greater mishaps happened at Barrow Hepburn, Midland Aluminium and Silentnight Holdings, all of which he chaired for a period in the 1970s.

He made his name at House of Fraser when it was fending off the prolonged takeover attempt by Lonrho, but even that is an odd story. In fact, he had first tried to join the Lonrho board on the strength of his widespread contacts. Tiny Rowland, the Lonrho chief, indicated that he had enough contacts of his own and no need for someone like Smith to hold his hand. Smith joined the House of Fraser and the two men fought a well-known battle.



He is the first chairman of British Aerospace to be a non-Government appointee. Even there, however, he has proved unpredictable. Sir Austin Pearce, the previous chairman, thought when he left that BAe's prime need was to strengthen its international links and competitiveness. No-one guessed that Smith would go for the Rover Group.

Day as partner

Tall, athletic and with a beard which makes him look like an old-style Mafioso, Graham Day was Margaret Thatcher's personal choice to take over in 1986 what we once called British Leyland and he quickly re-styled the Rover Group.

Now 55, he is the son of an Essex stockbroker's clerk who went to Canada for the sake of his health. He first made his name in the UK as trouble-shooter at the declining Cammell Laird shipyard in Birkenhead in the early 1970s. But it was the years between 1983 and 1986 when he ran British Shipbuilders that earned Mrs Thatcher's admiration.

In under two years at Rover he has unseated six senior managers – at the cost to the company of £1m in pay-offs. In keeping with his remit to privatise the group as quickly as possible he disposed of 14 subsidiaries to concentrate on the core business: producing and selling cars

Dismissed by some critics as "a dessicated calculating machine", Day in the flesh has a way with words and exhibits considerable charm, which he has used to good effect when dealing with his political masters.

Asked about working with Prof Smith yesterday, he said: "It would be a privilege. And I don't say that about many people." At which point Lord Young butted in: "He doesn't say it about me."

Brazilian joke

General Secretary Gorbachev asks God whether there will ever be capitalism in the Soviet Union and is told: "Yes, but not in your lifetime." President Reagan asks Him whether there will ever be communism in the United States and gets the same answer.

Then President Sarney asks whether Brazil will ever pay off its debts and the answer is: "Yes, but not in My lifetime."

Basil Boothroyd

Basil Boothroyd, the humourist who died this week, loved telling stories against himself.

Some years ago, taking a younger member of the Punch staff to lunch, the two men zig-zagged through the old Covent Garden narrowly avoiding banana skins and whatever until Boothroyd mused aloud whether people like him are born accident-prone or merely invite disaster to be thrust upon them as a constant source of material. Then he was hit by a falling ladder and spent the next five minutes cursing and clutching a badly damaged shin.

When he finally limped up the steps of the Savage Club, the steward said without the trace of a smile: "Good morning, Mr Boothroyd. Usual trouble for a Tuesday morning, I see." Boothroyd collapsed into a chair and laughed till he cried.

Right-wing candidates in France's presidential race are embarrassed by the absence of a declared left-wing candidate. **Ian Davidson reports**

Waiting for the fox to leave its lair

IT HAS BEEN said many times in the past and it will be said many times in the future: François Mitterrand is a cunning old fox. The leading right-wing candidates in the run-up to the French presidential election, Mr Jacques Chirac, the Prime Minister, and Mr Raymond Barre, the former Prime Minister, are both trying hard to get some momentum into their rival campaigns. But their efforts are seriously hampered by President Mitterrand's refusal to declare whether he is going to stand again or not.

If media exposure is a measure of success, Mr Chirac and Mr Barre are both doing very well. Press and television coverage of the pre-election campaign has been obsessive for at least six months, and in the past week or so, since Mr Barre joined Mr Chirac in formally declaring his candidature, it has become all-enveloping.

Yet neither right-wing candidate has managed to establish a decisive lead over the other, let alone to appear to mount a convincing challenge to the phantom candidacy of François Mitterrand. During the second half of last year, Mr Barre appeared from the opinion polls to be significantly the stronger of the two; but in the last month or so Mr Chirac has moved up, and is now (depending on which opinion poll you read) either slightly ahead or slightly behind Mr Barre. But both remain substantially below the hypothetical poll rating of President Mitterrand.

This pattern is likely to remain, at least until Mr Mitterrand tips his hand. In policy terms, there are almost no significant differences between Mr Chirac and Mr Barre, as Mr Chirac disarmingly admits; Mr Barre believes in the necessity of investment incentives for industry, whereas Mr Chirac does not, but that is hardly the stuff of which exciting political debates are made. As a result, the competition between them is largely being played out in terms of style and image rather than substance.

In any case, the two men are restraining themselves from attacking each other in public, at least for the time being. How long this restraint will last is an interesting question; but it is clear in principle that, for the right-wing candidates at least, the dynamic of the presidential race is made up partly of competition, partly of mutual support.

So long as both of them remain in the race, neither has a chance of outright victory (more than 50 per cent of the votes) in the first round of voting on April 24; and if François Mitterrand is the main standard bearer of the left, neither Mr Barre nor Mr Chirac has a chance of victory in the run-off on May 8 without the support of the other's voters. So long as they both put a right-wing victory above personal ambition, therefore, they both have a logical and disinterested incentive for treating each other with kid gloves.

On the other hand, taking part in the run-off depends on coming in second (or even first) in the first round. Neither man can be expected to conduct a wholly disinterested campaign from beginning to end, even though Mr Barre is doing his best to project an image of lofty serenity. Both right-wing candidates are waiting with growing impatience for the chance to have a crack at their main rival on the left. In order to reduce the temptation to have a crack at each other.

For Mitterrand to back out would seem like malice towards the Socialists

Mr Barre has made comprehensive criticisms of the whole of President Mitterrand's seven-year tenure of office; Mr Chirac has criticised the five-year period of the Socialist government which preceded his two years at the Matignon, because it would really not do for him to carp too loudly at his partner in the strange left-right "cohabitation" which has marked the past two years. But it is a striking mark of the dignity of the French presidential system, that Mr Mitterrand has remained virtually immune to serious personal attacks from either of the main right-wing candidates so long as he has declined to enter the arena as a candidate.

Virtually everyone by now assumes that Mr Mitterrand will be that rival. Although he has until recently played repeated cat-and-mouse games with the press, it has become almost impossible to imagine that he would decide not to run: the polls consistently encourage him by pointing to a clear-cut victory and for him to back out now would almost be an act of malice towards the Socialists.

A number of leading party figures, starting with Mr Michel Rocard, the former Agriculture Minister, and including Mr Laurent Fabius, former Prime Minister, and Mr Jean-Pierre Chevènement, former Industry Minister, would no doubt be keen to try. But in the shadow of Mr Mitterrand, none of them starts out as a natural unifying candidate and time is getting very short for the party to mobilise convincingly behind any of the alternatives.

Mr Rocard has long posed as the young social-democratic challenger for the party leadership and the presidency, and his popularity in the country appeared to justify his ambition. Now even he has started to adopt a lower and more submissive profile, behaving more like President Mitterrand's confidant and messenger than his replacement. He has reinforced that impression in the past few days, by suggesting in public that he would be willing to offer himself as a candidate for the prime ministership.

The inference being drawn by such experienced commentators as Jean-Marie Colombani of Le Monde, is that Rocard is now absolutely convinced that Mitterrand will run; that in the short run his only option is to rejoin the ranks under Mr Mitterrand's leadership; that if he wants a chance at the presidency, he had better wait until 1995, when he will only be 64; that if Mitterrand wins he will be bound to appoint a centre-right government; that he (Rocard) must be a plausible candidate for bridging the gap between the Socialists and possible compromisers in the centre; and that he will be best placed for 1995 if he can secure a term as Prime Minister first.

The biggest question mark over the campaign is what happens when Mr Mitterrand does declare his candidacy. Some observers, and many of his opponents, claim that his strong and consistent performance in the polls is largely due to the fact that he is not a declared candidate, but can pretend to a lofty role above the hurly-burly of vulgar politics. For the time being, the argument is no more than speculation; but the inference must be that Mr Mitterrand should delay his entry into the arena as long as possible. That is, in any case, the way he has been playing it so far: frequent public appearances, prolific public comment on the state of the nation, and barbed if indirect criticism of the two main right-wing candidates.

Last week he carried the game a stage further, with a public appeal for reconciliation, unity and dialogue. "Let us have confidence in the French people," he said at Tours. "Instinctively, it knows what it needs, but I can tell it what it does not need: that is, a France divided in clans, in rival churches, in factions, in fractions, and parties which refuse to work on the building of France."

Whether or not this was intended as an advertisement for cohabitation was unclear, let alone whether it was designed to suggest that he would continue with cohabitation after the election; but it was certainly a claim to be a centralising and a unifying force. If he can finesse the transition from non-candidacy to candidacy, he may be able to elude any danger of a tumble in the opinion polls

For the innocent at large, the polls present a puzzling set of interlocking questions, which recall the old joke that an Armenian is a man who enters a revolving door behind you, and emerges from it in front. The first question has to do with the broad balance of opinion in the country between the left and the right. Most of the polls have seemed to suggest rather consistently over a number of months, that supporters of right-wing presidential candidates in the aggregate outnumber supporters of left-wing presidential candidates by, very roughly, 55 to 45 per cent. By what alchemy, therefore, does it happen that in a second-round run-off, Mr Mitterrand could hope to win by, again very roughly and depending on his opponent, 55 to 45 per cent?

Part of the answer appears to lie in the political mood of consensus; all three main candidates seem determined to claim to be able to govern from somewhere near the centre, at least in terms of sober anti-inflationary economic policies and commitment to Europe. This policy convergence (at least in contrast with the very wide divergences of the 1981 campaign) seems to be reflected in a lack of passion among the voters; some polls have suggested that only a minority of voters would be seriously upset if the candidate of their choice failed to get in.

A more important part of the answer seems to lie in the divided nature of the French right. A recent poll by the research organisation Sofres showed that only three quarters of Barre's supporters would vote for Chirac in a run-off, and vice versa; whereas about one in eight would actually vote for Mitterrand.

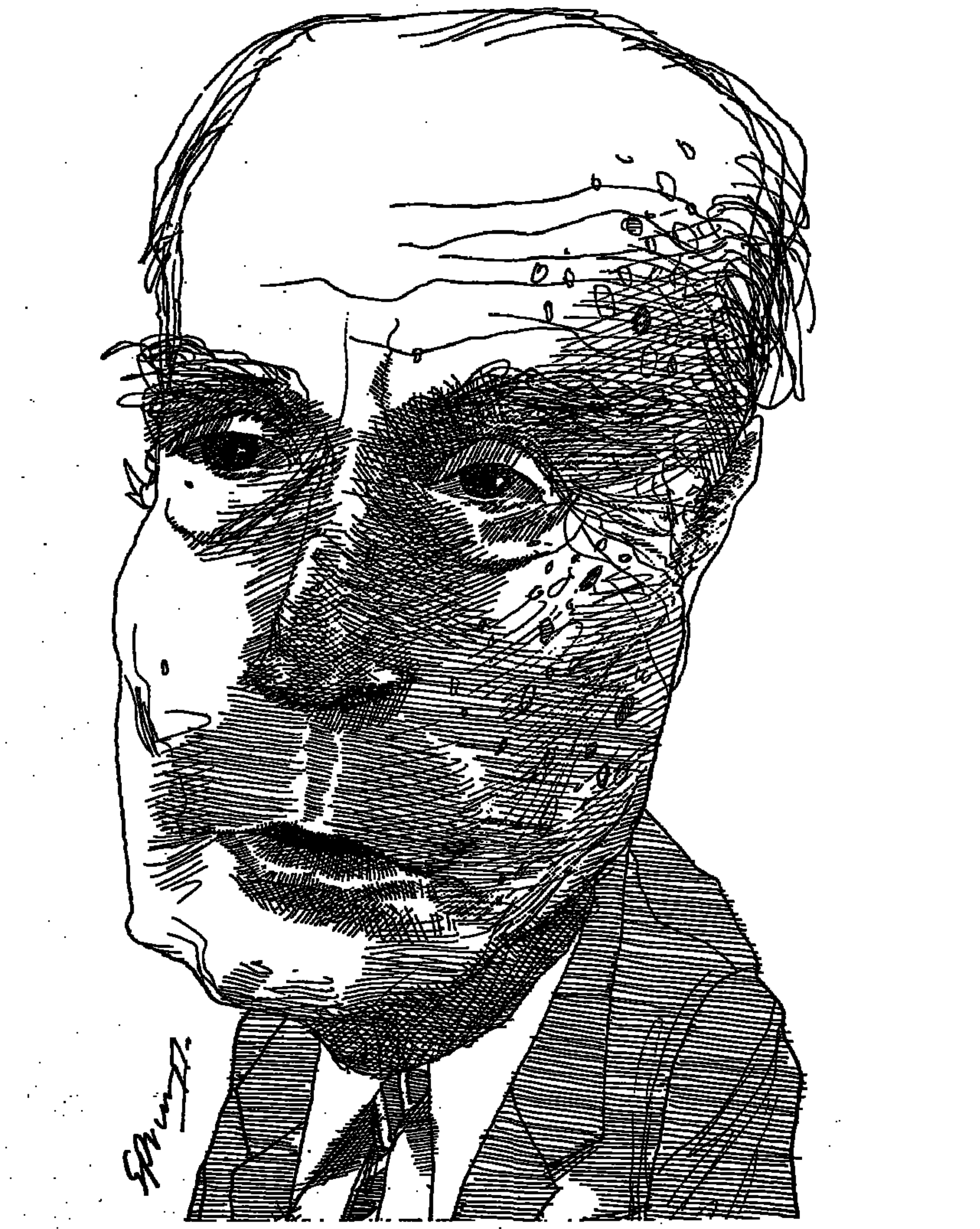
In the case of the extreme right-wing National Front, the figures are even more striking; only half of Jean-Marie Le Pen's voters would support either Barre or Chirac in the run-off, whereas over a quarter would vote for Mitterrand.

These antagonisms are hard to understand and harder to explain. They certainly do not lie in any simple differences of policy; the neo-Gaullist RPR party covers a broad spectrum of philosophical views and some Gaullist ministers would be closer in spirit to some of the centrists or even some of the Socialists, than to some of their own party colleagues. Nor are they explained simply by the personal ambition of Chirac and Barre, though that doubtless plays an important role.

The academic explanation, which was first formulated 35 years ago by the French political scientist René Remond, is that France has three different right-wing traditions: the classical, Catholic conservative tradition; the free-thinking, comparatively liberal tradition, which he calls Orleanist; and the muscular, state-oriented or Bonapartist tradition. Why these three traditions should still be alive and antagonistic in 1988 remains something of a mystery.

The practical explanation, which may in the last resort be more real, is called Jean-Marie Le Pen. Barre and Chirac may between them aim to win 40-45 per cent of the votes in the first round; but Mr Le Pen looks like getting 10 per cent or even more, and those are the 10 per cent needed for victory in round two. Barre, as the outsider, needs to play something of the role of a Cassandra, but Le Pen is the real beneficiary of the low-growth economy and the high level of unemployment. And it is he who may make it difficult and perhaps impossible for any right-wing candidate to win.

But everything could change between now and April 24. Who knows, perhaps François Mitterrand will prefer retirement . . . .



Letters to the Editor

Audit requirement should be retained

From Mr Declan Bourke.

Sir, "Small companies told to obey accounting rules" (Richard Waters, February 26) states that abolition of the audit requirement for small companies is gaining favour in the accountancy profession, and the Chartered Association of Certified Accountants is the only accountancy body against the idea.

The position of this Institute is that the audit requirement should be retained for all limited companies. That position was fully set out in our response to the Department of Trade and Industry's (DTI) 1985 consultative document "Accounting and Audit requirements for small firms."

In that response we argued that the advantages of audit, the protection of creditors in the face of limited liability, and the need to ensure that directors of small companies understand and observe their legal responsibilities, strongly support retention of the audit requirement for all limited companies.

We went on to say that a convincing case must be made before a far-reaching change – such as the abolition of the audit requirement – could be introduced; such a case, in our view, has not been made.

The Institute was reassured by the outcome of the consultation process which the DTI carried out in 1985-86. We are surprised that the issue is being raised so soon again, because we are not aware of any new reasons which would alter the conclusions reached as recently as May 1986.

Declan Bourke,
The Institute of Chartered Accountants in Ireland,
11 Donegall Square South
Belfast, Northern Ireland

USSR policy on nationality

From Mr Victor Orlik.

Sir, Margaret van Hattem's allegation that "since Lenin's time, official Communist Party policy has taken as its goal the merging (*sliyanie*) of the nationalities, as opposed to the free development (*rastsvet*) of national characteristics" ("Nationalism Tugs at the Soviet Centre" – February 27) is not entirely true, to say the least.

Vladimir Lenin saw the merging of nations as a time-consuming historical process which could proceed on a world scale only after mankind's advent to communism. The Soviet Communist Party has never suggested the merging of nationalities as a practical and political slogan. Some resolutions of the Party Congresses as well as the CPSU programme and the Soviet constitution do mention the free development and further *rapprochement* of the socialist nationalities.

I would offer a few general concepts to illustrate our understanding of the national policy.

We oppose the ideology of chauvinism and nationalism; we offer due regard for the national feelings and national dignity of every individual, but we are strongly opposed to any deliberate attempts to erode or whip up national characteristics; we educate people in the spirit of Soviet patriotism and internationalism.

As for Yuri Andropov, his name is generally associated with sustained efforts to prevent or correct certain miscalculations in the national policy. He firmly insisted on a proportionate representation of all nationalities in Party, government and state bodies, a fact that refutes the erroneous assertion that he advocated merging as the Party's goal.

Finally, the most convincing disproof of Miss van Hattem's statement is the truly free development of national cultures (languages, literatures, and so on). It was Lenin who on December 31 1922 dictated the following to his secretary:

"...the strictest rules must be introduced on the use of the national languages in the non-Russian republics of our union, and these rules must be checked with special care." ("The Question of Nationalities or 'Autonomisation'", Lenin, Collected Works, volume 36,pages 605-11).

The Soviet constitution proclaims respect for the national dignity of other citizens and the strengthening of friendship between nations, big and small, of the Soviet multi-national state as a duty (please note, it is a duty) of every citizen of the USSR.

So where is this alleged merging of nationalities, as opposed to the free development of national characteristics?

Victor Orlik,
Soviet Weekly,
3 Rosary Gardens, SW7

Divestment from South African links

From Mr Nick Randall and Mr Avinash Persaud.

Sir, Contrary to the letter from the Director (February 27), the divestment campaign at the London School of Economics was long, hard fought, and sometimes bitter. Student frustration at LSE inaction on this issue led to a week long occupation, in February 1987, reminiscent of the student revolts of 1968. In the aftermath of this, the School reluctantly agreed to a code of conduct on South African related investments.

At the July meeting of the Court of Governors a motion was passed by just two votes (the smallest margin in the School's history) to sell shares in 16 companies. However, this decision was substantially revised at the December meeting of the Court. At this stage shares in just six companies had been sold.

Student anger at this turnaround manifested itself in calls for another occupation if divestment was to be obstructed further. In a report to the joint meeting of the standing committee and student governors on Tuesday February 23 it became clear that continuous pressure from student leaders and academics had forced the School to sell shares in all firms in its portfolio which had links with South Africa – almost one fifth of its entire portfolio in equities.

It is shameful that so much effort had to be put in to "encouraging" the School to divest from South Africa. But now that it has, the School should be proud to be the first British university to do so.

Nick Randall,
Avinash Persaud,
LSE Students' Union,
Houghton Street, WC2

London docklands development goals include helping the local population

From Mr Alan Benjamin.

Sir, The arguments used by the Docklands Consultative Committee (FT report, February 17) to criticise the London Docklands Development Corporation (LDDC) have been used before, and when set against the facts, fall apart.

Let us leave aside 20 years of neglect, inaction and waste which preceded the LDDC, and led to appalling poverty and economic desolation. Once in "office" the LDDC's first priority was to create the physical redevelopment and renewal without which no regeneration could take place.

This has successfully begun through investment into new roads, sewage and a railway, as well as the creation of 8000 new homes. As we have said consistently: up to 1987, 60 per cent of all the new homes built have sold at prices below £40,000. Of the homes built on LDDC land, 1876 have been bought by residents of the three Dockland boroughs.

The increase in land values has enabled the LDDC to fund the infrastructure and move towards funding the railway extension. There is no space here to describe the positive impacts of new sporting facilities, the new airport and the 635 new firms which have entered Dockland; or to list the training schemes created in the area.

The LDDC's policy, having achieved considerable investment momentum, is now concentrating upon enabling more education and training, improved community facilities, more job opportunities and systems for environmental care.

It has area offices which are open for public visits and discussions, and a social facilities unit, which spends £750,000 a year on support for local voluntary groups and which is devoted exclusively to "people issues" – especially those related to local people and their special needs. Unemployment has fallen by 8 per cent up to July 1987, and a new job creation report to be published shortly will show a sharp increase in the number of new jobs created. Everything that we do considers how we might directly and indirectly help the local population.

First is ensuring a supply of lower priced housing with a variety of funding options (not just for sale). The facts show that the Housing Associations and developers are achieving this, with 10,000 new homes planned in the next five years, of which 5500 are currently under construction.

Second is a £30m programme for education support and training activity, where our partners are the Inner London Education Authority (ILEA), and Newham. Third, a social compact with Newham Council to work together on social and community issues. Fourth, commitments and investments in enterprise units for young unemployed people.

Those – including local councillors and officers – who know what the LDDC is doing and know its attitudes, also know that the Consultative Committee is fighting the battle of the 1970s; and that it has not and – worse – will not recognise achievement and, more importantly, LDDC's goals for local people. That is a shame.

Alan Benjamin,
London Docklands Development Corporation,
84 St Katherine's Way, E1

FINANCIAL TIMES

Wednesday March 2 1988

Pakistan's attitude will be crucial to the outcome of this week's summit talks, reports **Robin Pauley in Geneva**

Battle of wills takes shape over Afghanistan

HOPES for an early conclusion to the Afghanistan peace talks which resume in Geneva today subsided last night when the Afghan and Pakistani negotiating teams arrived with opposing and intransigent positions.

The UN-sponsored talks are indirect discussions between Afghanistan and Pakistan aimed at securing agreement on how and when the 115,000 Soviet occupation troops leave Afghanistan.

Mr Abdul Wakil, the Afghan Foreign Minister, said yesterday his team would not raise any new subjects or obstructions at the proximity talks with Pakistan under the auspices of Mr Diego Cordovez, the UN mediator. But it would also not allow anyone else to raise any new matters.

This underlined Afghanistan's determination to resist any moves by Pakistan to make the formation of an interim transitional government in Kabul a precondition to signing a peace accord in Geneva.

Mr Zain Noorani, Pakistan's Deputy Foreign Minister, insisted in an airport press conference that the subject of an interim government was not a new issue. "This is a second-track subject raised more than a year ago. We do not want to delay the Soviet withdrawal by a single day. But we seek a comprehensive, not a partial, settlement. That can only happen by finding, side by side, solution to all the issues, including a transitional government."

This suggests that the talks are going to be more difficult and protracted than many had hoped. Mr Noorani implied that they could be lengthy and Mr Wakil said the talks could last "many days," although he was optimistic about the final outcome providing there was no attempt by any side "to bring about a stalemate."

Mr Wakil insisted that the interim government was a matter for Afghans alone and not for the Geneva talks aimed at ending the eight-year occupation of Afghanistan by Soviet troops. Mr Mikhail Gorbachev, the Soviet leader, has offered to start pulling his troops out on or before May 15 if peace accords are signed in Geneva this month.

Mr Wakil gave clear signals that the present Afghan Government intended to be at least a major player in any future government, although it would not set any preconditions for its formation. "The Government in Afghanistan possesses all the powers to defend the independence and territorial integrity of the country," he said.

The precise nature of a successor government in Kabul to the present Soviet-backed regime headed by Dr Najibullah, is thus likely to continue to cloud the discussions. But Mr Cordovez's brief is confined to troops withdrawal. Other matters have to be dealt with informally and unofficially.

Ironically, the Soviet Union was responsible for introducing the issue of a successor government as a way of ensuring the talks could make no progress. Now Mr Gorbachev has dropped his insistence on solving the problem before withdrawal. However, Pakistan, fearful of what happens after the Soviets leave, has taken it up.

Previous talks have reached a draft agreement containing four protocols, the detail of which has never been agreed. The protocols cover:

- The timetable and front-loading of withdrawal.
- Non-intervention by Pakistan and Afghanistan in each other's countries.
- An end to all outside "interference" in the affairs of Afghanistan.
- The return of refugees to Afghanistan.

The draft also stipulates that there will be a 60-day period between the protocols being signed in Geneva and the start of the withdrawal.

Mr Cordovez has been increasingly active in recent months trying to narrow some of the remaining gaps, and there has been progress. Pakistan has dropped its demand for withdrawal to be completed in a few weeks and has moved steadily to its present position of eight months.

Afghanistan, supported by the Soviet Union, has slowly backed away from its withdrawal plan of four years and is now stipulating 10 months. A compromise is in the offing.

The US and Pakistan have always insisted that the withdrawal must be front-loaded, with a large number of men and weapons leaving in the early weeks, and Soviet resistance to this has evaporated.

The ending of outside interference remains a tricky problem. The Soviet Union argues that all outside interference, including the supply of arms to the Mujahideen, must cease as soon as the withdrawal agreement is signed.

Pakistan and the US have given increasing military aid and shelter to the Mujahideen guerrillas fighting the Soviet occupation forces and the official Afghan army.

They regard the Afghan occupation, which began in December 1979, as persistent interference in a sovereign state's affairs and argue that they are entitled to support opponents to the occupation until it ends.

There seems room for compromise, with the US phasing out aid to the Mujahideen and perhaps ending it altogether after, say, either the 60-day post-agreement period or after the completion of the front-ended phase.

In any case, the Mujahideen have enormous stockpiles of weapons and they could fight on unaffected for two to three months.

The US has also agreed to be a guarantor of the peace agreement, but the Soviet Union argues with some force that it is impossible to be a peace guarantor while simultaneously supplying lethal weapons to one side.

The return of refugees is also a thorny problem and is at the root of Pakistan's new-found fears about a Soviet withdrawal. There are more than 3m refugees in Pakistan and a further 2m in Iran, a major population shift out of a total of 18m.

Pakistan has been remarkably successful at absorbing its share of the refugees, mainly because of lavish US aid poured in to support a front-line state in the battle against communism.

Pakistan is now boxed into a tricky corner. If there is no agreed coalition government in place in Kabul, broadly acceptable to all parties, before the Soviets leave, then Afghanistan could become a bloodbath.

The Afghan army could sustain the present government, provoking widespread violent resistance from the Mujahideen. On the other hand, the Mujahideen, widely split on ideological grounds, might turn against each other in a different but equally bloody form of civil war.

Either scenario would deter the refugees from returning home, leaving Pakistan with a major problem. US aid is likely to diminish sharply once the occupation is over. Worse, the Pakistanis fear any civil strife could spread over its North-West Frontier borders.

On the other hand, if Pakistan refuses to sign any agreement in Geneva it risks international censure for prolonging the Soviet occupation.

As the US also puts a higher priority on withdrawal of troops than on the creation of an interim government, it is likely to put Pakistan under intense pressure to agree. It may even threaten to cut off aid in any event when it comes up for renewal next year.

A possible way out would be for the parties to initial but not sign the protocols. This would enable the Soviet Union to say they were signed and pull out, while Pakistan could insist it had stuck to its principles and not signed in the absence of an interim government.

Another possibility would be to sign very quickly and then spend the ensuing 60 days looking for an agreed interim government, with Mr Cordovez acting as an unofficial central negotiator.

However, the immediate business of Geneva today remains the withdrawal protocols. For the first time since 1979 a Soviet withdrawal looks a reasonable - but still not good - bet.

Mr Gorbachev is so convinced it will happen that some Soviet service families have already moved out of Afghanistan and some Soviet military personnel are not being replaced. A comfortable Black Sea dacha plus pension are reportedly being lined up for President Najibullah's retirement in communist exile.

One thing is certain: if withdrawal does not happen, Pakistan will have a lot of questions to answer.

Editorial comment, Page 18

Soviets underline commitment to deal

The Soviet Union yesterday reiterated its intention to see agreement reached in talks starting today in Geneva between Pakistan and Afghanistan which are aimed at settling the Afghan conflict, Christopher Bobinski writes from Moscow.

Mr Gennady Gerasimov, the Foreign Ministry spokesman, told a press conference here yesterday both his country and Afghanistan "firmly" wanted an agreement to emerge from the talks.

Mr Mikhail Gorbachev (right), the Soviet leader has said that agreement signed in Geneva during this round of talks would be followed by a withdrawal of Soviet troops starting 60 days afterwards.

Yesterday, Pravda, the Communist Party newspaper, criticised the Pakistan Government which is seeking to have a new government installed in Kabul which would contain no members of the present Communist administration before signing the Geneva agreement.

"If the Pakistani leaders are really interested in a solution of the Afghan problem, then they have the chance by signing the Geneva documents to prove that not just by words but by deeds," Pravda said.

THE LEX COLUMN

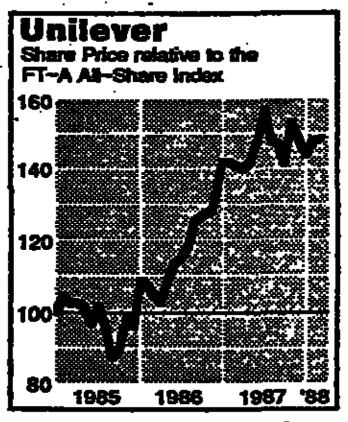
Finding Rover a good home

You have to give British Aerospace credit for lateral thinking. From the viewpoint of Rover and the UK Government, the proposed deal has everything: a bid for the whole hotch-potch from a politically ideal buyer, one which is not only British but a non-competitor and thus unlikely to shut down factories. For BAe's stunned shareholders, the benefits look a good deal more arcane.

Financially, the short term might have its attractions, assuming that BAe can haggle its way to a completely debt-free purchase at a nominal price. Rover comes with an enormous backlog of tax losses, and looks set to announce its first profit for many years later this month. Further out, the question is one of the liabilities BAe may assume in taking on a company of its own size in terms of sales and assets, but with no record of sustained profitability at all. The immense strength of BAe's balance sheet gives it a cushion in the meantime, but the cash will be needed in the longer run to fund the civil aviation programme, and Airbus in particular.

The industrial case rests on both manufacturing and marketing. BAe's strength in engineering design is supposed to marry up somehow with Rover's experience in production processes, and Rover's claimed presence in continental Europe is to complement BAe's in the US. In addition, Rover's link with Honda is to give BAe an entree to Japan. But it is not easy to see the link between selling aeroplanes and mass-market cars, and a tie-up with Honda would be of doubtful benefit if it amounted to a transfer of aerospace technology to Japan. And though BAe also points to other instances of auto/aerospace marriages – General Motors, Daimler Benz and so forth – these typically consist of a strong car manufacturer branching into aerospace, not the other way round.

Assuming the deal does come to fruition, it must surely be referred to an EGM for approval. Judging by BAe's 1 per cent drop in BAe's shares yesterday in the absence of any financial details at all, the institutions will take some convincing.



British Gas

Fresh from having offended the Canadians in its clumsy acquisition of Bow Valley, British Gas has done it again, this time with the New Zealand government. However, the natural conclusion – that British Gas has been behaving either naively or tactlessly, and has much to learn about acquisition politics – does not necessarily follow. Although the Bow Valley problems were probably of British Gas's making, the blame for the aborted Petrocorp deal lies with the other side. While it is possible, as the New Zealand government asserts, that British Gas was making unreasonable demands, it seems more likely that the government suffered a simple change of heart. It appears to have realised belatedly that selling valuable assets to foreigners is no way to boost waning popularity, a view which may turn out to have been strengthened by a higher offer from someone at home.

Meanwhile, British Gas shareholders may not have been soothed by yesterday's other news that the new Bow Valley deal – which gives it a smaller stake than it originally wanted – is almost done. The company's international acquisitions policy, which was already looking short on logic, is starting to look short on targets, too.

Unilever

Though Unilever is not what the stock market thinks of as a cyclical company, there is no doubt that its profits – and in particular, its operating margins – are affected by the economic cycle. Yesterday's full year figures should therefore have upbeat implications for the market overall: not only was there a real improvement in margins last year of around 1.5 percentage points, to 8.4 per cent, but a further modest improvement is expected this year. Underlying volume growth seems if anything to have accelerated in the final post-crash quarter, and the 4 per cent figure for the year is expected to be repeated in 1988.

In the US market, of course, volume and profit may still be opposing concepts. Growth in US detergents tonnage, at 5 per cent, was half the previous year, but the result was a profit after years of losses. The personal products side of Lever Bros is still losing handsomely, but should now fare better as part of the lately-acquired Chesebrough-Pond's. It looks quite possible that the group should make £1.5bn pre-tax this year, in which case the shares at 497p are on 11 times earnings – a shade above the market, but not a bad two-way bet if there is a recession round the corner after all.

Macy's/Federated

It is getting to be just like old times on Wall Street. Mr T.Boone Pickens, the terror of the US oil patch, has turned his attention to chasing gold mining companies, media properties are once again in play, and highly leveraged takeover bids are very much back in vogue. Indeed, if there was ever any doubt that some of the froth of last year's bull market continues to affect corporate America and its investment bankers, Macy's part-paper bid worth well over $6 billion for Federated Department Stores has set the record straight.

Here is a company which was taken private in a highly leveraged management buy-out less than two years ago, making an even more highly leveraged bid for a company twice its size. Moreover, Macy's is only offering $73.80 per share in cash for 80 per cent of the Federated equity and the balance consists of an approximate 40 per cent stake in a combined Macy's/Federated, which will be far and away the biggest US department store group. Whilst a much sweetened $68 per share all cash offer for Federated from Campeau still looks the more straightforward of the two bids, there are a number of factors which could sway the bid in Macy's favour.

For a start, Federated's management might prefer joining forces with another US department store group in which it has a major say, even though the new entity will be under as much pressure to sell assets as Campeau. However, the real keyto success rests with the rival investment banks which have their much-inflated reputations at stake. Indeed, M & S's ability to buy Brooks Brothers from Campeau may hinge on the willingness of the latter's adviser, First Boston, to outbid Macy's Drexel Burnham.

Brussels may alter merger rules

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is expected today to decide on fresh plans for a controversial merger control regulation which will include extensive changes designed to soothe British and French fears about giving Brussels too much power to interfere in corporate takeovers.

The scheme to go before today's weekly meeting of the Brussels authorities will still, however, give the Commission the power to block or even unravel any mergers or takeovers within the European Community which it considers would be likely to distort competition at EC level or "give rise to a dominant position."

Before the regulation can become law it would need to be accepted by EC Industry Ministers who are likely to discuss the controversial plan at a meeting in June.

The proposed regulation is also designed to give legal backing to company link-ups that do not risk creating cartels. As such, it will have a major bearing on the growing number of cross-frontier corporate bids in the European Community, notably the hotly contested attempt by Mr Carlo De Benedetti, the Italian financier to gain control of Société Générale, Belgium's biggest company.

Today's proposal comes from Mr Peter Sutherland, the Irish Commissioner for competition policy, in response to a request from member states to re-draft an unpopular merger control scheme which been bogged down in debate since it was put forward 14 years ago. It has been helped along by a series of legal threats from the Commission and a landmark European Court of Justice ruling last November which strengthened and clarified the scope of the Brussels authorities to influence takeovers.

The combined turnover at which a newly merged group will attract a Commission investigation has been raised from Ecu750m ($879m) in the original proposal to Ecu1bn in today's version, in response to mainly British fears that the controls would unnecessarily hit small companies. However, officials pointed out that the threshold applies to the worldwide turnover of the groups involved and not just their EC sales.

Takeovers of companies with less than Ecu50m turnover would be exempt, irrespective of the size of the predator. There would also be an exemption for groups that have more than three-quarters of their combined sales in one member state, a new clause put in to answer anxieties that the line between national anti-cartel authorities and Brussels was too vague.

In a gesture to British fears that an EC merger regulation would undesirably delay fast-moving takeovers, the Commission is offering to cut to between two and four months the time it will take to come to decisions on bids.

Although the proposal involves compromises – cautiously welcomed by diplomats yesterday – it includes some strikingly tough provisions. It would, for instance, allow Brussels to fine merged groups up to 10 per cent of the value of their combined assets for disobeying Commission rulings and also empowers EC investigators to raid company offices and seize documents.

Petrocorp deal with British Gas collapses

By Steven Butler in London

BRITISH GAS has suffered a major setback to its plans to diversify overseas with the collapse yesterday of its deal to buy the New Zealand Government's 70 per cent stake in Petroleum Corporation, the country's biggest producer of oil and gas, for £298m ($527.5m).

The New Zealand Government's abrupt decision to withdraw from the agreement in principle, which had been announced two weeks ago, appeared to take British Gas by surprise. A British Gas negotiating team was still in Wellington and executives of the company were scheduled to arrive in New Zealand in a fortnight to continue the discussions.

It followed a storm of local criticism that the Government was selling important national assets into foreign hands.

Mr Richard Prebble, the New Zealand State-Owned Enterprises Minister, announced the termination of the agreement late yesterday. He accused British Gas of insisting that the final sale agreement include "more than 30 pages of legal provisions which the Government considered unacceptable."

British Gas claimed that all the provisions of the proposed agreement had been known to the New Zealand Government before the agreement in principle was announced.

It also indicated that the Government had broken an agreement that neither side would make a public announcement without the consent of the other.

The decision to sell Petrocorp, a monopoly wholesale supplier of gas with a sizeable retail business, to foreign interests had been strongly attacked by the opposition and was also opposed by Sir Ron Brierley, whose Brierley Investment owns 15 per cent of Petrocorp and has indicated its intention to increase the stake.

Mr Prebble said the New Zealand Government would now be considering other offers for Petrocorp that were similar in price to the British Gas deal.

The Government had been counting on the NZ$800m ($533m) proceeds, which was to have been paid for in foreign currency, to produce a budget surplus next month.

The New Zealand dollar fell following the announcement. British Gas rose 2p to close at 135p.

Background, Page 28; Lex, Page 20

Mideast peace mission hinges on Reagan talks

THE fate of the US peace initiative in the Middle East will depend on talks today in Brussels between US President Ronald Reagan and his Secretary of State, Mr George Shultz, writes Our Middle East Staff.

Mr Shultz spent three hours talking to King Hussein of Jordan in London yesterday in a determined attempt to win support and afterwards refused to write off his mission – despite five days of frustrating shuttle diplomacy.

Mr Shultz also met British Prime Minister Margaret Thatcher, who was said to have given her support for what was described as a "major effort" to revive the peace process

British Aerospace seeks Rover

Continued from Page 1

ment on the volume car side.

During a series of House of Commons exchanges Mr Kenneth Clarke, the Industry Minister, said the initiative had come last year from talks between the BAe board and Mr Graham Day of Rover – who has apparently discussed the position with Mrs Margaret Thatcher, the British Prime Minister.

The response in the UK parliament yesterday suggests that the Government will face none of the political difficulties among its own supporters which led to the abandonment two years ago of the Ford takeover of Austin Rover and the General Motors purchase of Land Rover and Rover's commercial vehicles side.

The UK Government sought to justify the deal by drawing on a comparison with overseas groups, such as General Motors, Fiat, Saab and Daimler Benz, which also combine motor and aerospace interests and fit well together.

Lord Young refused to discuss the financial aspects of the potential takeover. However, he has already indicated that the Government will be prepared to forgive at least some of its £2.9bn equity in the group.

Prof Smith himself made clear yesterday that BAe expected substantial clearing up of Rover's balance sheet before a deal could go ahead.

Rover has an accumulated deficit of some £2.6bn, plus more than £800m in bank borrowing.

This itself could prove a stumbling to an agreement were the EC to object to any large-scale forgiveness on competition grounds.

Declaring that BAe would be "developers of the business, not asset-strippers", Prof Smith said Rover would gain access to an expert workforce of 28,000 BAe engineers, and BAe would benefit from Rover capabilities

Canadian-born Mr Day, Mrs Thatcher's personal choice of Rover Group chairman, described the potential deal as "the ideal solution for us" – it was all-British, opened up new potential areas of business for Rover and carried none of the rationalisation risks associated with its sale to a direct competitor.

This does not mean that BAe is in any way abandoning aerospace - far from it. The group's trading profit of £217m in the year to end-December 1986, and of £91m in the six months to end-June last year, indicate that a substantial part of its long-term future continues to lie in that sector.

WORLD WEATHER

Nato postpones decisions

Continued from Page 1

President François Mitterrand of France, who will be the first French head of state to attend a Nato meeting since General de Gaulle took his country out of the Alliance's integrated military command 22 years ago, has thrown fuel on the fire just when it looked as if a compromise had been worked out by Washington and Bonn.

Wading into the dispute with two newspaper interviews on the eve of the Brussels meeting, Mr Mitterrand, who believes that the only effective deterrent is the threat of massive destruction by long-range strategic nuclear weapons, effectively backed the German position on battlefield weapons.

Mr Mitterrand's position is weakened by the fact that France does not participate in Nato's integrated military organisation, and that his latest views do not appear to be fully shared by his own Prime Minister.

However, the President's intervention in the debate could well trigger a sharp riposte from Mrs Thatcher.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday March 2 1988

Court allows SGB to issue shares in poison pill defence

BY TIM DICKSON IN BRUSSELS

THE FRANTIC 6½ week bid battle for Société Générale de Belgique took another unexpected turn yesterday when a Brussels Court overruled a previous legal decision outlawing the board's "poision pill" defence.

The court move to legitimise 12m authorised but hitherto unissued shares in SGB was immediately interpreted by Viscount Etienne Davignon, a director of La Générale and the company's main spokesman, as a major new weapon in the fight to defeat the ambitions of the Italian businessman Mr Carlo De Benedetti for outright control.

Viscount Davignon produced figures last night which indicated that after the capital increase Cerus, Mr De Benedetti's Paris-based holding company, would only speak for 28.53 per cent of SGB shares, while the Franco-Belgian alliance, led by Compagnie Financière de Suez and Belgium's leading insurance company Groupe AG, would control more than 66 per cent.

Until yesterday the Franco-Belgian group had been claiming 52 per cent while Mr De Benedetti, momentarily triumphant after enticing two leading Belgian businessman to his side on Monday, said his camp could count on more than 47 per cent.

However, most observers believe the struggle is not yet over and that Cerus and Mr André Leysen, chairman of the Flemish holding company Gevaert and one of the new converts to the De Benedetti cause, will not only challenge the court's latest decision but dispute SGB's plans for issuing the new shares.

The major uncertainty centres on the terms of a previous deal between Mr Leysen and La Générale's board when the Gevaert chairman was acting as leader of another Franco Belgian group anxious to contain Mr De Benedetti's ambitions.

Mr Leysen – supported by his new friends at Cerus – claimed yesterday that he still has an option to subscribe for these shares. But Mr Davignon was equally insistent that this agreement was no longer valid once one of his partners (the insurance group Royale Belge) had decided to sell its SGB shares and once it had become clear that Mr Leysen had failed to co-ordinate his group.

Mr Davignon said last night that the new shares – currently held by an SGB affiliate called Sodecom whose shareholders are mostly hostile to Mr De Benedetti – would "clearly" not be ceded to anyone except those around the new Franco-Belgian alliance. There was no "written" agreement with Mr Leysen and Gevaert therefore had no more right than anyone else to the new shares.

In a defiant gesture Mr Davignon repeated his previous assertion that Mr De Benedetti's blocking minority could not "paralyse" SGB.

Philips in video venture

BY LAURA RAUN IN AMSTERDAM

PHILIPS of the Netherlands, the electronics company, has formed a 50-50 joint venture with Warner Brothers, the US media and leisure group, to sell video entertainment systems for airliners and taxis.

Passengers can watch video programmes on liquid crystal display (LCD) flat screens tucked between or in the back of seats on aircraft, trains, buses, ships and taxis. The launch customer is a US airline which Philips refused to identify.

Philips will provide the LCD screens, cables and video cassette players, while Warner will provide programme material from its own library, including films, sports, news, TV shows, documentaries, advertising and merchandising.

Heyman lifts GAF buyout offer to $1.7bn

By Roderick Oram in New York

MR SAMUEL HEYMAN, the corporate raider known for his abortive bid for Union Carbide, has increased his buyout offer to public shareholders in GAF, his master company, to about $1.7bn.

However, the revised terms remain substantially inferior to those Mr Heyman offered before last October's market crash.

A committee of seven outside directors said it could not endorse the latest proposal because "it does not adequately reflect the long-term values of the company."

The revised offer is $46 cash and $6.50 principal amount of junior subordinated debentures with a value of at least $5 on a fully distributed basis per GAF share.

The previous post-crash offer was $40 and $8.50 in principal compared with a $68.50 offer made last September.

The stock fell $½ to $49½ in early trading yesterday.

Salomon Brothers, the investment bank hired by the committee, deemed the revised offer fair so a majority of the committee decided it should be submitted to shareholders.

The directors also instructed Salomon to look for other buyers.

GAF also said it had reached agreement in principle to settle all pending litigation connected with the proposed buyout.

Mr Heyman and a group of senior GAF managers originally offered $68.50 a share, or $2.3bn in total, last September.

The committee was reported to have rejected the offer.

The committee reportedly told Mr Heyman in October that it was likely to reject any bid of less than $70 a share.

The stock market crashed a few weeks later, driving down GAF's share by $17.50 to $35 on Black Monday alone.

James Buchan looks at the thinking behind Macy's $6.2bn bid for Federated Department Stores

Finkelstein seeks second miracle on 34th St.

BACK IN 1974, Mr Edward Finkelstein, a storekeeper of boundless self-confidence, arrived in New York from the West Coast to run the vast 11-storey Macy's department store at the crossing of Broadway and Sixth Avenue.

The shop, which covers an entire city block and claims to be the largest in the world, had long occupied a particular place in New York City's culture. For 50 years it had been the terminus of an annual Thanksgiving Day parade and its Christmas Santa Clauses were the subject of the Hollywood film, Miracle on 34th Street.

But in 1974, the flagship of the 116-year-old R. H. Macy chain was not in a good state.

The neighbourhood was a tip. Stranded at an unfashionable address by New York's move uptown, Macy's had started selling cheap goods at cheap prices: it had "traded down." The company's board was thinking of closing the store. Mr Finkelstein, who had just transformed Macy's California operations, was having nothing of this.

In short order, he stripped out the tacky furnishings to reveal the marble and panelling below, turned the grim bargain basement into a chic housewares arcade called the Cellar and restored Macy's reputation for quality.

Sales and profits rose 15 per cent a year. In a shopping-mad city, Mr Finkelstein became the super-merchant. His airy, festive style was imitated uptown, even at Bloomingdale's.

But in 1984, Mr Finkelstein made a mistake. With the US economy booming and sales revenues topping $4bn a year, Macy's opened stores and took on inventory with a vengeance. A minor slowdown forced a fire sale of goods over Christmas, earnings fell 15 per cent (to $190m) in 1984-85 and the stock price with it.

Analysts grumbled that the proliferation of speciality stores meant that the big department stores such as Macy's would never regain their sales momentum.

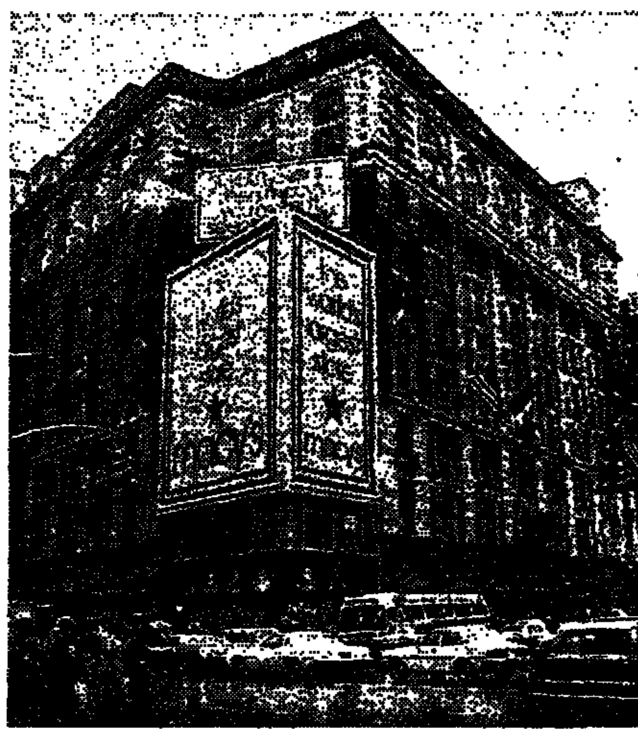
Mr Finkelstein, who disliked Wall Street breathing over his shoulder, responded with characteristic vigour. With 346 executives and a battery of junk bonds raised by Goldman Sachs, he bought the company, America's 10th largest retailer, for $3.74bn.

In the 18 months since taking Macy's private, the 91-store chain has been the scene of furious activity. According to industry associates, Mr Finkelstein has cut back sharply on overheads, consolidated buying operations and made major economies to bring down the heavy debt burden, which is now $2.8bn.

The group has launched its own expansion into speciality stores, and has been able to report profits earlier than expected, with $59.6m in pre-tax income in the year to last August, on revenues of $5.2bn. Mr Finkelstein, now 62 and the owner of about 4.7 per cent of Macy's stock, is set to become a very rich man.

But Mr Finkelstein has been thinking of other things lately.

With the support of Macy's outside directors, including Mr Larry Tisch, the powerful chairman of CBS, he intervened at the weekend in the battle for control of Federated Department Stores, the largest US store chain, which has been under siege from Campeau, a Toronto-based property and retailing group, for a month.



Macy's 11-storey flagship in New York

Yesterday, Mr Finkelstein offered an audacious $5.2bn or $73.80 for 80 per cent of Federated, to be financed by a $1.8bn bridge loan or issue of junk bonds from Drexel Burnham Lambert and Kidder Peabody, and bank finance from Bankers Trust and Manufacturers Hanover. The remaining 20 per cent will be paid in Macy's stock. The total bid is valued at $6.2bn.

The offer, if it succeeds, will make Mr Finkelstein the undisputed king of New York retailing. Federated owns Bloomingdale's, with $1bn or so in sales, and the city's other big chain, Abraham & Strauss, the once-great Brooklyn store group which has fallen on hard times but still pulls in about $800m in annual sales.

Anti-trust regulations may force Mr Finkelstein to divest one or other of these, but it is unlikely to be Bloomingdale's. "It is the dream of a lifetime for him to run Bloomingdale's as well as Macy's," says Mr Kurt Barnard, publisher of Retail Marketing Report, a trade newspaper.

Federated also owns eight other department store chains. An associate of Macy's says: "It is an opportunity to create the premier retailing operation in this country. And Mr Finkelstein will run it."

Because he is a merchandiser, rather than pre-eminently a property man like Mr Robert Campeau, Mr Finkelstein is thought by Wall Street to have an edge in dealing with Federated. At the same time, Macy's is much smaller than Federated (which enjoys over $10bn in revenues) and a combination would leave considerable power in the hands of Federated executives.

But Macy's must first outgun Campeau, which has already raised its bid from $47 to $68 to put pressure on Federated. The Campeau offer is all in cash, so that Federated stockholders are spared exposure to what is bound to be a highly leveraged joint Federated/Macy's stores group.

Pillsbury chairman quits

BY JAMES BUCHAN IN NEW YORK

JOHN STAFFORD, chairman of Pillsbury, has quit the struggling Minneapolis food group in the face of a boardroom revolt against his management. He has been replaced by Mr William Spoor, the 65-year-old strong man who ruled the company from 1973 to 1985, while the board searches for a successor.

Mr Stafford's resignation, which apparently occurred just 15 minutes into Monday's board meeting, follows 10 days of speculation on Wall Street that Pillsbury could be vulnerable to takeover. "They had to make this change to preserve the independence of the company," said Mr John McMillin, an analyst at Prudential-Bache

Owens-Illinois wins Brockway battle

BY OUR NEW YORK STAFF

OWENS-ILLINOIS has won its $750m takeover battle for Brockway against stiff opposition from Washington regulators who believed the combined company's 40 per cent of the US market for glass containers would reduce competition.

The company quickly consummated the $60 a share deal yesterday after a Washington court had once again declined temporarily to halt the takeover while the Federal Trade Commission argued its case.

Although the companies will soon be merged, the FTC said it would continue its fight through its own internal administrative law court.

The most notable recent reversal of a takeover came last year when the Interstate Commerce Commission, which regulates railways, ordered Santa Fe Southern Pacific to divest itself of one of its two railway systems.

After its legal remedies were exhausted, Santa Fe finally decided to sell off Southern Pacific which it had acquired in 1983 to make itself the largest US railway.

INTERNATIONAL COMPANIES AND FINANCE

Tim Dickson reports on the latest legal twist in the fast-moving Belgian takeover saga

Court move adds to La Générale tangle

JUST WHEN the dust seemed to be settling enough to make out two large, roughly equal and apparently solid shareholder "camps" – Mr Carlo De Benedetti, the Italian businessman, and the Franco-Belgian alliance led by Compagnie Financière de Suez – a new cloud of uncertainty has descended on the furious battle for Société Générale de Belgique.

Yesterday's decision by a Belgian Court of Appeal, effectively to unblock the 12m authorised but unissued shares which La Générale's board had been seeking to place in "safe hands" is certainly rich in irony but last night it was much too early to say that it represented a victory for the beleaguered business institution.

One broker said last night: "It makes the fog even worse. But I do not think people will be altering their arithmetic just yet. There will be more legal action."

The story goes back to last summer when La Générale's board first started to get wind of a raider in the wings.

In a controversial move it won shareholder approval for a 43 per cent increase in its authorised capital.

The tactic was deployed in the nick of time for when Mr De Benedetti announced in mid-January this year that he had built up an 18.6 per cent stake and planned to make a partial offer for the rest, the startled company had its "poison pill" in place.

La Générale's plan to issue 12m new shares, however, was just as quickly challenged by Cerus, Mr De Benedetti's Paris-based financial holding company.

In a clumsy handling of the situation the Belgian Banking Commission first voiced its disapproval for such a manoeuvre and then seemed to change its mind.

Since then, the Brussels Commercial Court twice ruled that the issue of shares with voting rights at this stage was illegal.

It is that decision which was overturned on appeal yesterday.

The irony lies in the position of Mr André Leysen, the Flemish chairman of the Gevaert financial holding company who sprung a surprise on Monday by throwing in his lot (and his 2.2 per cent stake in La Générale) with Mr De Benedetti.

For it was Mr Leysen who, in an earlier episode in the drama, emerged as the clear defender of Belgian interests and who reached a deal with La Générale's board to take up the unissued shares at a price of BFr3,350 ($95.1), compared with the current market price of around BFr8,000, on behalf of a group of Belgian and international investors.

As one stockbroker pointed out yesterday, it would be an extraordinary denouement if, as some rumours have it, there is a binding agreement between the La Générale's board and Mr Leysen for the latter to buy the 10m shares.

Statements were issued yesterday by Gevaert and its new friend Cerus to the effect that Gevaert was ready to proceed.

But Viscount Etienne Davignon, a director of La Générale, claimed, following developments subsequent to the original deal, "Mr Leysen informed La Générale through the intermediary of Mr Davignon that he could no longer maintain his previous request to take firm hold of the 10m new shares created by the company."

Wagons-Lits in car rental deal with VW

By Paul Betts in Paris

WAGONS-LITS, the diversified Franco-Belgian railway sleeping car company, and Volkswagen, the West German car group, have agreed to merge their car rental businesses to form the biggest car rental group in Europe.

The Franco-Belgian group recently acquired for about FFr850m ($149.1m) Europcar and Godfrey Davies, the car rental subsidiaries of Renault, the French state-owned car manufacturer.

Renault's former car rental operations will now be merged with Volkswagen's Interrent car rental subsidiary. The combined operations will have about 4,000 employees and operate a network of 34,000 cars in Europe.

The new group will be jointly owned by Wagons-Lits and Volkswagen but the West German company is expected to make a payment to Wagons-Lits because of the higher value of the former Renault car rental subsidiaries.

Mr Antoine Veil, Wagons-Lits' chief executive, said the car rental business fitted in well with his group's other activities in the tourism, hotel, catering and railway sectors.

He added that the merger with Volkswagen's car rental activities would enable the new group to have the necessary size to compete successfully and profitably.

Mr Veil also claimed that the new group would not give preferential treatment to either Renault or Volkswagen in its car purchasing policies.

Endesa to seek Wall St listing

BY TOM BURNS IN MADRID

ENDESA, THE Spanish public-owned electrical utility, is to seek a listing on Wall Street.

A minority equity of Endesa is to be offered to the public before the summer, principally on the Spanish bourse, and an as yet unspecified tranche is to be placed on the New York Stock Exchange through Goldman Sachs.

Endesa, which made pre-tax profits of Pta49.3bn ($433.2m) last year on a turnover of Pta270.3bn is the most profitable unit within INI, the public sector holding company.

It will become only the fourth Spanish company to be listed on Wall Street, joining two private banks, Santander and Central, and Telefonica, the part publicly-owned national telecommunications company.

In a pilot stock market operation for Endesa, INI successfully placed 38 per cent of Gesa, a small Balearics island electrical utility, on the Madrid bourse in October 1986.

Next week, the coglomerate is to float 39 per cent of Ence, its profitable cellulose company, in Madrid. It expects considerable interest in the placement.

The exact size of the Endesa tranche to be placed on Wall Street has still to be decided. However, INI said the utility represented a sound option for international investors who believed the "Spain risk" to be increasingly attractive.

INI confirmed provisional figures last month which indicated that the group's losses last year were the lowest for a decade. The holding company lost Pta42bn against Pta117bn in 1986.

Carrefour lifts net earnings to FFr761m

By George Graham in Paris

CARREFOUR, THE French hypermarket and supermarket company, has reported a 16.4 per cent rise in consolidated net profits last year to FFr761m ($133.5m).

Sales rose 9.8 per cent to FFr56.5bn, with write-offs and provisions climbing 17 per cent to FFr894m.

The company will propose a dividend of FFr60 a share plus tax credit, up 5.3 per cent.

Carrefour has benefited less from financial income this year, but analysts believe it will be able to sustain a substantial improvement in operating margins, in spite of fierce competition among French food retailers.

The group is expanding overseas, opening hypermarkets this year in the US. It is also planning to take a 50 per cent stake in a company to develop hypermarkets in Taiwan.

New York bank opens Swiss subsidiary

BY DAVID LASCELLES, BANKING EDITOR

REPUBLIC NATIONAL Bank of New York, whose leading shareholder is Mr Edmond Safra, the Lebanese financier, yesterday opened a subsidiary in Switzerland, adding to its existing European operations in London, Guernsey, Gibraltar, Paris, Luxembourg and Milan.

The opening coincides with the fifth anniversary of the sale by Mr Safra of his Geneva-based Trade Development Bank to American Express. Under the terms of that transaction, Republic agreed not to open a competing business for five years.

The new operation – which will also be based in Geneva, with a branch in Lugano – will concentrate on supplying high quality banking services to an international private clientele. It has fully paid capital of SFr150m

SGS ends 10-year profit rise run with 5% decline

BY WILLIAM DULLFORCE IN GENEVA

SOCIETE GENERALE de Surveillance (SGS), the Swiss inspection services group, is holding its dividend to shareholders at an unchanged SFr93 per share after reporting a 5.1 per cent drop in consolidated net earnings to SFr106.5m ($76.6m) in 1987.

Turnover dropped by 2.2 per cent to SFr1.56bn, while cash flow at SFr162m was 2.4 per cent behind the 1986 result. Last year's declines break a 10-year sequence of regular annual profit and turnover increases.

The most important factor was the average 17 per cent drop in the rate of the dollar to the Swiss franc between 1986 and 1987, Mr Patrick Rich, who takes over as managing director in June, said.

However, Mr Rich added that had SGS, the world's biggest privately owned quality control and inspection company, consolidated its accounts in dollars, it could have recorded sharp rises in both profits and turnover in the last two years and would have exceeded $1bn in sales last year.

SGS's performance was better than expected in the second half and it had seen a good start to 1988, Mr Rich said. Its biggest pre-shipment inspection contract, with Indonesia, had been renewed for three years.

In 1987, the Swiss group expanded through acquisitions, becoming the world leader in loss adjusting for insurance companies through the purchase of Robins, Davies and Little of the UK. With about SFr750m available in liquid reserves and shareholders' equity of more than SFr400m it intends to continue a policy of growth by acquisition within its own field of operations.

Nokia plans to raise dividend

By Olli Virtanen in Helsinki

NOKIA, Finland's largest publicly quoted company, plans to raise its dividend for 1987 to FM3.80 from FM3.00.

The move follows the announcement last month of record pre-tax profit of FM1.22bn ($299.7m), an increase of 77 per cent. Earnings per share totalled FM17.59, compared with FM12.20 in 1986.

Setback for Groupe AG in Assubel Life offer

BY TIM DICKSON IN BRUSSELS

GROUPE AG, Belgium's leading insurance company, has received a setback to its bid to take control of Assubel Life, its domestic rival.

Assubel-Accidents du Travail (AT), a mutual group which owns almost 30 per cent of Assubel Life, decided on Monday to reject AG's increased offer of BFr7,200 ($204.5) a share just before the deadline for the bid ran out.

AG bid BFr6,000 per share for Assubel before Christmas after it was announced that Assurances Générale de France was planning to take a 20 per cent stake in Belgium's third largest insurance concern.

AG received acceptances for 28 per cent of Assubel's capital but, under the company's Articles of Association, the Assubel board was able to reject this new shareholder. It arranged a rival offer at the same price from a group of companies, including Cobepa, the financial holding group, and Groupe Bruxelles Lambert.

AG, with its higher bid, had hoped to acquire more than 50 per cent but observers believe that with more than 40 per cent of the shares in groups closely affiliated with Assubel (including AT) it is doomed to the same fate as with its first offer.

London branch for ABC Bank

UNION BANK of Norway, the international arm of ABC Bank, Norway's fourth largest bank, has opened a branch in London with a staff of 20, writes Karen Fossli in Oslo.

The bank said yesterday the move reflected the expansion of the group's international activities.

It added that at the end of last year it built up a loan portfolio of about NKr33bn ($5.19bn) and a securities portfolio of some NKr10bn. Although the bank expected losses on securities from its international activities, these would not be as extensive as the recent disclosures by rival Norwegian banks.

The ABC Bank group results are due to be published later this month.

WHY CHANGE A PERFECTLY GOOD BRITISH NAME TO A SET OF AMERICAN INITIALS?

Hawley Group was our name. As such we are known as one of the great success stories in the Services Industry, with current annualised sales of over 1.5 billion dollars.

ADT is now our name. We decided on this name change for the following reasons.

The last few years have seen our business and shareholding structure become increasingly international. We are now clearly established in our chosen sectors of the Services Industry; in Security Services, Maintenance Services such as office cleaning and hospital housekeeping and in Auction Services.

This means that we are giving our customers background support in North America and Australasia, as well as in the UK and Europe.

In 1987 our continued expansion resulted in the 715m dollar purchase of ADT.

ADT, (which originally stood for American District Telegraph) is a long established electronic security services company.

And as number one in the electronic security monitoring market, ADT supplies a professional service to over a quarter of a million businesses and homes in North America and Europe. This means a network of over 140 central stations, more than 100 of which are in the US.

So over two thirds of our business is now in the US, where ADT is a very well known name indeed. And since we want to market our services under a common identity, we feel that it makes sense to change our name to ADT.

So, although we are sorry to lose our Hawley name, we are confident that our new name will help us to become the world's leading international service company in the sectors we have chosen.

ADT

WORKING ROUND THE CLOCK ROUND THE WORLD.

INTERNATIONAL COMPANIES AND FINANCE

John Griffiths reports on a US transport group close to gaining market leadership

Paccar overhauls its heavy truck rival

BY THE END of this year, Navistar, formerly International Harvester, may have been knocked off its pedestal as US heavy truck market leader.

The threat to its position comes from Paccar, the Seattle-based producer of Kenworth and Peterbilt trucks whose subsidiaries also include Foden Trucks of the UK.

The deeply conservative Paccar group, whose corporate hierarchy shuns the showmanship normally associated with the truck industry, has remorselessly closed the gap with its much larger rival in Paccar's chosen market sector, that of the heaviest. Class 8 trucks of 33,000 lb and over.

Last year its 20.61 per cent share of the market trailed Navistar by only 1.43 percentage points. Freightliner came third, with 17.8 per cent.

This trend represents a gain for Paccar of around 2 percentage points over the previous year and, if it continues, will bring market leadership within its grasp for the first time since it was founded 83 years ago.

If this provides a source of satisfaction to Mr Charles "Chuck" Pigott, Paccar's present chairman and grandson of its founder, he displays little outward sign of it. A lean, grave figure who looks more like a Bible Belt preacher than a truck maker, Mr Pigott shows rather more satisfaction with the consistency of Paccar's financial performance.

It remained profitable in the early 1980s through the US truck industry's worst recession in memory, and has just announced sharply higher profits for 1987, approaching those of its record year in 1984. Net income more than doubled to $112.46m, from $54.28m in 1986, while net earnings per share shot up to $6.26 from $3.02. This compared with a record of $125m in 1984.

Mr Pigott attributes Paccar's improved performance partly to the introduction of a new range of trucks, for which it claims exceptional aerodynamic and fuel consumption advantages, and partly to a larger US market last year than expected. Figures from the Motor Vehicles Manufacturers' Association show total Class 8 sales in 1987 reached 131,156 units, up 16.19 per cent on the 112,871 of 1986.

However, Mr Pigott expects no help from the marketplace this year, believing instead that a downturn in the second half will take this year's Class 8 market back to its 1986 level.

If Paccar has driven relatively unscathed through the past several years, the same cannot be said of much of the US heavy duty truck industry. Last year General Motors, itself second only to Navistar at the end of the 1970s, effectively gave up its heavy truck operations when it merged them into a joint venture with Volvo-White which is expected to be controlled by the Swedish company.

A second stalwart of the US industry, Freightliner, became a Daimler-Benz subsidiary in 1986, while Mack Truck – whose Class 8 sales have plummeted since 1985 – is 42 per cent owned by Renault of France.

So is there further rationalisation yet to come? Chuck Pigott thinks it unlikely.

"Over-capacity now is less than

generally considered. The boom year was '79, when the US market reached 165,000 units and we were relatively optimistic about it going to 200,000 units. Since then there have been cutbacks to the extent that I think the industry would have a tough time now if had to produce 150,000."

Even after it bought the assets of Foden, the bankrupt English truck maker, Paccar remained a name known to very few outside the truck industry in Europe – until it suddenly emerged last year as the main rival to DAF of the Netherlands to acquire the heavily loss-making Leyland Trucks from the British Government.

Had Paccar succeeded, Leyland's medium weight Road Runner trucks would probably by now be helping broaden Paccar's presence in the US market down even into the Class 4 sector, for trucks as light as 14,000 lb.

While still not completely ruling out a deal in the future, Mr Pigott makes clear that there is no immediate prospect of Paccar selling UK-built Leyland DAF trucks through its own distribution networks in North America.

Despite the relatively small scale of its UK operations, he says he is well pleased with the progress of Foden. Its UK registrations last year rose to 696, up nearly 22 per cent on the previous year. Like Paccar's Kenworth and Peterbilt ranges in the US, however, all are premium-priced vehicles built to order and Mr Pigott says Foden made "a significant contribution" to last year's group results.

"It's been a very satisfactory investment. It's just surprised people that it would satisfy us because it's so small. But unit sales are going up by 20 per cent-plus a year, so over a few years that means doubled sales. And we don't have that many businesses in the States doing that. . ."

Paccar believes Foden can sustain this growth rate for the foreseeable future. "It's also exporting between 5 and 10 per cent of output and growing, so we're happy in that direction, too." Approval has been given for a new headquarters for the Cheshire-based truck maker, the ground for which will be broken later this year.

Mr Pigott is relatively dismissive of speculation that Paccar would eventually want a full European presence – "there could be a case, but it's already a very competitive market and does it really need an extra player? There's probably a certain amount of consolidation still to come on the Continent."

Paccar is much more concerned to cement its position in Third World countries with oil-based economies.

"That is quite high on the priorities list, because I believe the oil economies will come back in the 1990s and we recognise that you can't come and go with the wind and still be recognised as a responsible supplier."

So far, at least, Paccar's strategy has served it well in the form of prolonged, if relatively unspectacular, unit sales growth.

Mr Pigott makes clear it is a strategy unlikely to change: "We are not interested in building a house of cards."

Hoyts buys FM radio station

BY BRUCE JACQUES IN SYDNEY

IN YET another restructuring of the Australian broadcasting industry, the fast-expanding Hoyts Media Group has bought Brisbane's top-rating radio station, FM104, for nearly A$90m (US$64.7m) from Mr Christopher Skase's Universal Telecasters.

The purchase had been mooted since December, but the price tag surprised the market, particularly when compared to last week's sale of the Macquarie network by John Fairfax to a Queensland consortium. Macquarie, a seven-station AM network, was bought for A$100m, making the A$90m tag for just one station, albeit on the higher-rating FM band, seem extraordinary.

It is all the more extraordinary given that Mr Skase only bought the station in July for A$55m. The purchase will give Hoyts the top-rating FM radio station in each of the cities of Melbourne, Sydney and Brisbane and is in line with the group's stated strategy of concentrating on FM rather than AM broadcasting. Hoyts is now by far the country's largest FM operator.

Hoyts announced last year that it had sold its 13-station AM network for about A$150m. Mr Skase sold the Brisbane FM station because of Broadcasting Act restrictions which mean no proprietor is allowed to own television and radio interests in the same city. Mr Skase controls the Seven Network, which he bought from John Fairfax last year for about A$700m, and this includes a Brisbane television station.

Mr Skase said he had planned to use FM104 as the cornerstone of a national radio network but legal changes had prevented this. The focus of his group now would be on television.

Sales fall at Teikoku Oil

TEIKOKU OIL, Japan's second-largest oil and gas producer, suffered a 12.7 per cent fall in sales last year to Y40bn ($311.2m), due to poor demand for domestic natural gas, Stefan Wagstyl reports from Tokyo.

The company was hit by the rise of the yen which lowered the costs of alternative imported fuels. Pre-tax profits rose 7.9 per cent to Y8.39bn, but would have fallen without a Y3.8bn reduction in reserves for possible losses on overseas investments.

In 1988, Teikoku expects profits to fall to Y5.85bn pre-tax, due to possible increases in loss reserves and in costs. Sales are forecast to fall 6.3 per cent. to Y37.5bn. Teikoku intends to continue prospecting overseas for oil and gas, principally in the Middle East.

Recovery at Mutual & Federal

BY JIM JONES IN JOHANNESBURG

MUTUAL & FEDERAL, the South African short-term insurer, consolidated the recovery of its underwriting surplus in the six months to December 31, 1987, despite the "catastrophic losses" suffered by the industry as a whole with last September's Natal floods.

Gross premium income rose to R343m ($164m) in the half year from R250m in the corresponding half of the last financial year, and against R567m in the last financial year as a whole. The interim underwriting surplus rose to R15.2m, from R486,000, and the pre-tax profit increased to R41.1m, from R17.9m. The last financial year's underwriting surplus totalled R13.6m and the year's pre-tax profit was R52.8m.

Reinsurance limited the effect of the Natal floods on the underwriting profit, although the directors have not indicated whether the same will apply to claims covering the latest flooding in the other three provinces. The directors say there was a drop in the number of car thefts reported, presumably reflecting the insurers' requirements that owners in the metropolitan areas install anti-theft devices in cars and the fact that the police are less busy with containing violence in the black townships.

First-half earnings more than doubled, to 56.6 cents a share from 27.7 cents, and the interim dividend has been raised to 6.5 cents from 4 cents. Last year, a total dividend of 17 cents was paid from earnings of 77 cents. Mutual & Federal is controlled by Old Mutual, the country's largest life assurer.

Modest rise at Kikkoman

By Carla Rapoport in Tokyo

KIKKOMAN, a leading Japanese food company, has reported a modest increase in profit for last year, thanks to strong advances in the sales of imported wines and foods.

These advances more than offset the company's fall in sales of its main product, soy sauce.

The company said its pre-tax profit was up 9 per cent to Y4.2bn ($32.7m) on sales up 3 per cent to Y138bn. Although sales of soy sauce dropped in the year, sales of imported goods, such as Del Monte brand fruit juice, jumped by nearly 10 per cent, while imported wines were up more than 6 per cent.

Messina resumes dividend payments with 35 cents

BY OUR JOHANNESBURG CORRESPONDENT

MESSINA, the small South African copper mining and industrial company, has resumed the payment of dividends after a four-year break but said that it is taking a conservative approach to profit retentions ahead of spending on a new platinum mining venture.

Turnover increased to R299.5m ($143.3m) last year, profits before interest and tax rose to R22m from R12.2m and pre-tax profits reached R15.2m, compared with R2m.

The company's balance sheet was restructured during the year, with the sale of assets worth R23m to Nissan, the local car maker, and the directors say that the sale will permit the repayment of part of the company's R36m of interest-bearing debt. This, in turn, will free Messina from borrowing restrictions imposed by bankers and allow it to borrow to finance the initial spending on its new platinum mine.

The new mine, which is in the black homeland of Lebowa, will exploit the Merensky and UG2 reefs of the Bushveld Igneous Complex (BIC).

Negotiations on mineral rights are expected to be concluded soon, say the directors, adding that the initial developments will include the sinking of two ventilation shafts needed to extract bulk samples for metallurgical testing.

Earnings rose to 141 cents a share from 28 cents and an ordinary dividend of 35 cents a share has been declared.

Novel sterling FRN from Halifax Building Society

BY CLARE PEARSON

HALIFAX BUILDING Society yesterday issued the first £100m tranche of a novel five-year floating rate note. Each bond issued may be put up for auction every three months.

The complex auctioning system has been introduced in order to sidestep the open market in sterling FRNs, where it is still difficult for investors to deal in any size following a liquidity crisis more than a year ago.

Halifax's "variable rate notes," of which up to £200m may be issued, differ from a normal FRN in that the interest rate spread to London interbank rates will be reset at the three-monthly auctions. Normally, FRNs pay interest at a set margin above or below London interbank rates.

S.G. Warburg Securities is sole underwriter.

The investor will be invited to bid for the margin applicable to his own holding, using an auction system in which each successful investor will obtain interest at the level at which he bids. Investors may submit orders to sell, hold or buy notes.

Holders failing to submit any order will receive Libor minus ¼ percentage point but any investor who tries but fails to sell his holding at the auction will receive Libor plus ½ point.

Warburg said that, since this was about double the margin Halifax would pay on a straight five-year FRN at the moment, it was extremely unlikely that a holder who wished to sell would be unable to do so.

Secondary market liquidity problems in sterling FRNs have made borrowing costs available to the building societies, which were once frequent borrowers in the market, unattractive compared with other sources of floating rate sterling over the last year.

Warburg expects that Halifax will pay less than ⅛ point over Libor on the bond, as a result of the bidding process. Halifax's senior unsecured debt is rated Double A minus by Standard & Poor's.

UK building society issues jointly account for about 40 per cent of outstandings in the sterling FRN market but only the Leeds Permanent has tapped the sector in the last 12 months. Building societies were first allowed to issue FRNs in 1985.

Liquidity in the sterling FRN market dried up along with the dollar market more than a year ago, partly as a "knock-on" effect from a crisis in the perpetual FRN sector.

Hungarian bank deal well met

BY ALEXANDER NICOLL AND STEPHEN FIDLER

HUNGARIAN NATIONAL Bank met a roaring reception yesterday when it made a DM200m Eurobond issue, quickly increased from DM150m.

Hungary, which is close to agreement with the International Monetary Fund on a $350m credit, has said it needs some $2.5bn in Western financing this year of which about half is to come from syndicated loans and the remainder from a variety of sources including bond issues. Among these is an imminent Samurai issue raising some Y25bn.

DG Bank led the seven-year issue, which carries a 6¼ per cent coupon and is priced at par. At one point during the day it was bid at issue price but by the close it had slipped to 45 basis points below, still well within the 2¼ per cent fees.

Though the issue was expected to be widely distributed, bankers said that there had been one particularly large order, believed to be for asset-swapping purposes. The issue came against background of a quiet D-Mark secondary market with prices little changed.

The Eurodollar sector quietened after Monday's three new issues totalling $560m. More borrowers are said to be in the wings but will have to wait until some of the paper now in dealers' hands is absorbed. The report of figures on US economic indicators succeeded only in subduing morning trading in London and proved too inconclusive to act as a spur to the market later.

Salomon Brothers lead-managed its first Eurobond of 1988 – a £125m floating-rate note issue for its own UK house finance subsidiary, The Mortgage Corporation, which has been responsible for £625m of the £1.47bn market in sterling mortgage-backed securities.

This is the fifth public issue by the borrower, but this package carries a Triple A rating, higher than the Double A ratings awarded its predecessors. The uprating results from the higher-quality insurance backing the securities.

This has allowed the borrower to pare the interest margin over three-month Libor on the securities to 35 basis points (rising to 50 basis points after 10 years). The three previous issues were given a margin of 37.5 basis points and there has been a general widening in margins on such securities in recent months.

The final maturity of the parpriced notes is 2015 but they are expected to have an average life of between four and six years.

Royal Trustco, the Canadian trust company, made a £60m five-year issue led by County NatWest. The 10 per cent deal was priced at 101⅛ to give a yield over gilts of 58 basis points and was bid around the level of its fees.

Two new foreign issues were launched in Switzerland, where secondary prices were slightly firmer. BMW Finance issued SFr150m of 25-year bonds – one of the longest maturities seen in Switzerland for some time but an extension of a recent spate of 20-year issues. Swiss Bank Corporation led the public deal which was priced at 101 with a 5 per cent coupon. It was offered at 1½ points below issue price.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day +0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Haig Simonian reports from Frankfurt on an increasingly popular form of investment

Venture capital gains ground in Germany

CALLING IT venture capital is an exaggeration. But recent events, culminating in January's unravelling of WFG Deutsche Gesellschaft fuer Wagniskapital, the country's first venture capital consortium set up in 1975, and the decision by most of its shareholders to go it alone instead, indicate that the business may at last be gaining ground in West Germany.

Barely three weeks later, the 26 biggest of Germany's 50-odd venture capital groups, which account for some DM1.1bn of a total investment pool estimated at about DM1.5bn ($890m), announced the birth of a national representative lobby.

Venture capital in the strictest sense of betting on unknowns remains barely exploited in Germany. The latest developments have centred on groups, often owned by big banks, whose main business is to take stakes in established and – generally profitable – unquoted companies.

That business has accelerated with the arrival of the *Unternehmensbeteiligungsgesellschaft* (UBGG) – one of the longest words in the German language – which literally means "a company for taking participations in other companies." Many leading banks and some insurance companies have now set up UBGGs or have announced their intention of doing so.

Their investment policy is often ultra-cautious, but in the conservative world of German finance, the new UBGGs represent the biggest area of change in a still underdeveloped industry. Moreover, they are a key element in the Government's desire to raise the proportion of equity capital on balance sheets and enliven the stock market.

Equity accounts for only about 18 per cent of the balance sheet of small and medium-sized German companies (and about 25 per cent for larger groups) – far less than in the UK or US. More important, the equity component on German balance sheets has actually fallen from an average 30 per cent in the mid-1960s.

The concept of outside participation in unquoted groups is nothing new. For years, banks, insurers and, to a lesser extent, leading industrial groups like Siemens have been taking stakes in up-and-coming private companies via special investment subsidiaries called *Kapitalbeteiligungsgesellschaften* (KBGs).

But the business has moved on to a much more entrepreneurial footing since the passing of the new law in January 1987 opened the door to UBGGs. These differ from existing KBGs in two distinct ways: how they invest and their own eventual ownership structure.

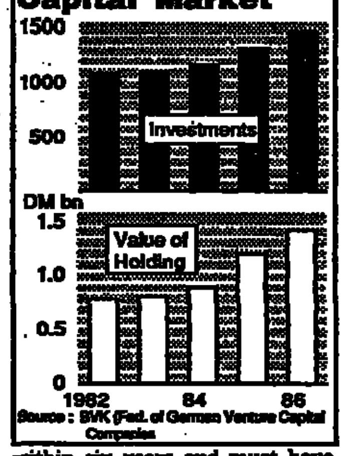
KBGs have tended to invest through a hybrid form of subordinated loan. Interest rates are calculated almost on a cost-plus basis. Interest is charged at close to market levels, with a small margin added on to cover costs. Should the target company be particularly profitable, the interest rate rises in accordance with an agreed ratio to profits.

While KBGs have started to take direct equity stakes, the law establishing UBGGs says they can invest only via direct shareholdings of up to 49 per cent of a domestic private company's equity.

Moreover, in contrast to KBGs, which are privately owned, UBGGs are specifically required to float most of their shares within 10 years of being set up. The idea is that the new ventures will not just boost equity capital among smaller private companies, but also in time introduce attractive new investments to the stock exchange.

A string of institutions and insurance companies has now shown interest in setting up UBGGs. There are two main reasons. First, the Government has offered a variety of attractive tax breaks, including exemption from trade and wealth tax, to stimulate the market.

In return, the UBGGs have to fulfil certain specific investment criteria. They must have at least 10 participations on their books within six years and must have gone public within 10 years of being set up. The law also requires a minimum capital of DM2m, though that figure has probably have to be substantially higher before they could consider flotation.



Source: BVK (Fed. of German Venture Capital Companies)

Second – and most appealing for the banks – is the prospect of realising capital gains from their equity participations. These could either come from the flotation of a formerly private company in which a UBGG has successfully invested, or, most obviously, from the eventual flotation of the UBGG itself.

But there is also a third, and lesser known, source, namely the possibility of realising existing profits by "selling" the equity holding in an unquoted company from a bank's existing KBG to its new UBGG.

That is how Deutsche Beteiligungs AG (DBAG), the UBGG 92.5 per cent owned by Deutsche Bank and 7.5 per cent by the small Schmidt Bank of Hof, Bavaria, has gained a head start on most of its counterparts.

By purchasing 12 holdings from Deutsche Beteiligungsgesellschaft, Deutsche Bank's existing KBG, DBAG was able to get enough business on to its books to satisfy the legal requirements for going public more quickly than any of its counterparts.

DBAG remains the only UBGG which is listed on the stock exchange to date, with some DM56m invested in 14 unquoted concerns. The company, which made net profits last year of DM3.6m, already has some 6,000 shareholders.

The pattern of transferring stakes is likely to be repeated at WestUBG, the new UBGG being set up by Westdeutsche Landesbank, Germany's third biggest bank. According to Mr Karlheinz Mueller, WestUBG's managing director, the new venture is likely to buy four or five of the holdings owned at present by WestKB, the bank's existing KBG. Stakes are likely to be between DM3m and DM5m each.

"Within three years, we would like to have reached the position where we can go to the stock exchange," he says.

Selling stakes not only realises profits for the parent bank, but also allows the new UBGG to gain momentum and build up a porfolio quickly. And the sooner a UBGG has the requisite number of participations, the quicker it can be floated, spelling further earnings for its parent.

By contrast, Commerzbank, which had no previous KBG subsidiary, has had to start its new UBGG from scratch. The bank has got together with Hannover Finanz, a subsidiary of the specialist insurance group for German industry, to create a venture in which the two partners have invested DM10m each.

According to Mr Dieter Firmenich, its chief executive, Commerz-Unternehmensbeteiligungs AG should be able to go public within three to five years.

But the fact that it has only made one investment since being set up last year indicates the difficulties in finding succesful private companies which want an outside partner, even if only a silent one. Moreover, with an increasing number of UBGGs on the scene, competition for top-notch investments is hotting up. Nevertheless, Mr Firmenich says he has another three to five deals under way.

Interestingly, both Westdeutsche Landesbank and Commerzbank were among the five shareholders in WFG Deutsche Gesellschaft fuer Wagniskapital, which is now being merged into Deutsche Beteiligungsgesellschaft. The fact that both banks agreed in late January to sell their stakes to Deutsche Bank, the biggest shareholder in WFG with a 30 per cent stake, reflected their desire to press ahead with their own UBGGs.

Meanwhile Dresdner Bank and Bayerische Landesbank, the other two former WFG shareholders, have not said whether they also now intend to establish UBGGs. Both are already involved in KBGs. "We are observing the recent developments," says a Dresdner official. The way things are going, they may be unlikely to buck the trend.

Subordinated debt issue by Lloyds Bank

By Our Euromarkets Staff

LLOYDS BANK yesterday made its third issue of subordinated debt in as many months with a £150m financing in the Eurosterling fixed-rate bond market. The earlier two deals were arranged privately.

Lloyds, along with other British and international banks, has been keen to raise subordinated debt recently to boost its capital. This follows guidelines on capital ratios agreed by major central banks late last year.

Lloyds' 10-year 10¼ per cent Eurosterling bond, led by S.G. Warburg Securities, follows a £125m issue last month for Royal Bank of Scotland. Barclays Bank raised subordinated bonds worth £250m in the market late last year.

Yesterday's bond met a lukewarm response from the market, which dealers attributed to the expectation of further supply of subordinated bank issues. It was bid at less 2 to its 101⅛ issue price, a discount equivalent to the total fees.

Yesterday was also the signing date for a $230m issue of floating-rate notes for Lloyds, which had been placed privately with Japanese leasing companies. This followed a similar $280m placement late last year.

On both private placements, Lloyds paid a margin of ½ percentage point over London interbank offered rate. Mr Leon Wilkinson, Lloyds' chief financial officer, said the cost of its new Eurosterling bond would work out cheaper than this. The bank is swapping the proceeds into floating-rate sterling.

Bank of Scotland has also recently placed $200m worth of floating-rate notes in the Far East, with a deal arranged by Merrill Lynch. A similar transaction is believed to be underway for Royal Bank of Scotland.

Bankers say the floating-rate notes have to be adapted into the form of leases so that the leasing companies' loans to the banks do not conflict with Japanese Ministry of Finance rules.

Paris brokers cleared of client neglect

TWO PARIS brokerage firms, Puget, Mahé, and Boscher, were cleared yesterday by the Paris stockbrokers' association of allegations that they neglected client interests last year, AP-DJ reports from Paris.

The allegations included suggestions by the Commission des Opérations en Bourse (COB) that the firms used their double capacity as intermediaries and investors to generate big profits from sales of La Redoute stock to Printemps last February.

The brokers' association said that it had studied the charges and saw no evidence of neglect of clients' interests or the integrity of the market on the part of either firm.

Japanese stockbroker revenues soar

BY STEFAN WAGSTYL IN TOKYO

WHILE STOCKBROKERS in London and New York worry about falling turnover, salary cuts and the sack, their Tokyo counterparts' business is booming.

Brokers' commission revenues are soaring close to last year's levels. Turnover has climbed in line with the Nikkei index's recovery to within 5 per cent of its peak before Black Monday. On Tuesday, the Tokyo Stock Exchange's First Section recorded a turnover of 1.6bn shares, its highest this year. Last month it averaged over 700m a day against 420m in November.

Shares in Nomura Securities, Japan's leading stockbroker, have climbed 58 per cent from their post-October low; Daiwa Securities is up 81 per cent.

The Big Four securities companies say pre-tax profits for the six months to March will be down only about 30 per cent. This coincides with British and American companies reporting some of their worst losses. Foreign stockbrokers in Tokyo are delighted, especially as a good proportion of the share buying has come from abroad. Mr George Nimmo, of Citicorp Scrimgeour Vickers, says: "Better to be in Tokyo than anywhere else."

Jobs in the Japanese securities markets look more secure than in Europe or the US. So far, there have been no reported job cuts among the well-established overseas companies.

The turnround does not necessarily guarantee profits for foreign brokers in Tokyo, many of which are still at the stage of establishing their businesses.

Mr Nick Bedford, a managing director of Salomon Brothers, the US investment house, estimates that 50 per cent of overseas securities companies in Japan are at best breaking even. The costs of continuing to operate in Tokyo could well persuade some to reduce their operations, he says.

UK COMPANY NEWS

MARGINS BOOSTED TO 8.4% AND MORE GROWTH FORECAST THIS YEAR

Unilever pushes profit up to £1.3bn

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

Unilever yesterday discounted fears of recession with confident forecasts of strong growth during 1988. Mr Michael Angus, chairman of the consumer goods multinational, said he expected volume growth similar to last year's substantial increase, better margins and improved sales and profits.

Announcing the group's 1987 results, he said gross volume growth in 1987 was 9 per cent, of which 5 per cent was attributable to acquisitions and disposals, most notably the purchase of Chesebrough-Pond's in the US. But the underlying rise was still 4 per cent and the rate of increase had shown no signs of slackening in the fourth quarter after the October stock markets crash.

Productivity also improved as output increased while the workforce declined by 3 per cent.

Pre-tax profits for the year were marginally less than City forecasts, rising 16 per cent to £1.83bn, on sales down 3 per cent at £16.55bn. Earnings per share rose 14 per cent to 40.54p.

Mr Angus stressed the impact on the figures of exchange rate fluctuations and Unilever's practice of converting at end of year rates. At the turn of the year the US dollar was at its nadir, he said, and sterling had been appreciating throughout the year against almost every major currency except the yen.

At constant exchange rates sales rose 6 per cent, profits were 27 per cent up on 1986, and earnings per share were 24 per cent higher. "Exchange rates affect our accounts. They do not affect our business," he said.

Operating margins continued to improve during the year, Mr Angus added. After a rise of about 1 percentage point in 1986 to 6.6 per cent, they advanced to 8.4 per cent last year, helped by the disposal of low margin businesses.

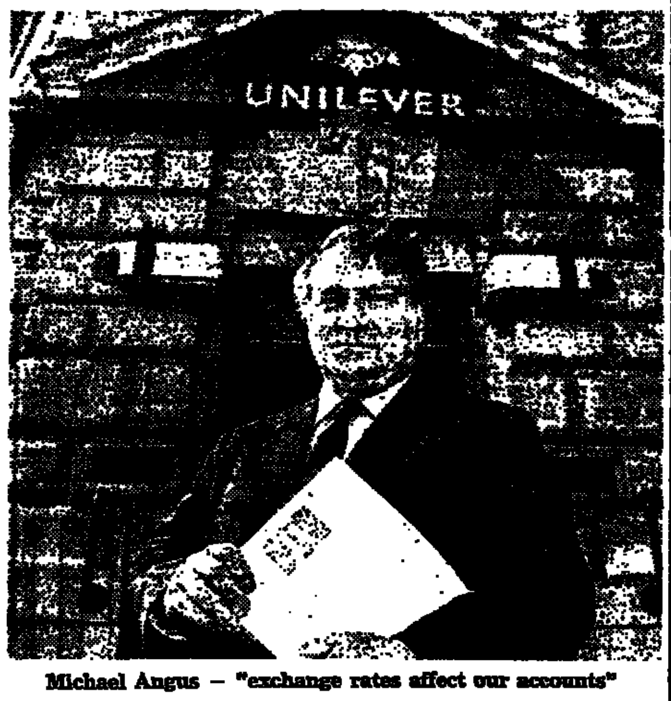
The company sold 22 businesses during the year with combined sales of £1.275bn and profits before tax and interest of £75m. It bought 16 edible fats, agribusiness and detergent specialists with aggregate sales of £125m and profits of £10m.

One result of the disposals had been to reduce gearing from 31 per cent at the end of 1985 – the last balance sheet before the $3.1bn (£1.75bn) purchase of Chesebrough-Pond's – to about 26 per cent at the end of 1987.

Sales of unwanted subsidiaries of the US company meant Unilever had bought the core personal products and foods business for $2bn plus debt, Mr Angus said.

The deal had fulfilled two strategic aims: it had made Unilever one of the two largest personal product makers in the world, and strengthened its position in the US, boosting turnover there to some $5bn.

Operating profit in North America more than doubled, despite the dollar's fall, Mr Angus said. The group's food business advanced and now claims to be "a clear and substantial leader" with 30 per cent of all US branded margarine sales. It had also gained share in five of the six detergent markets in which it operated, and the detergent business had returned to profit after losses in 1986 because of heavy promotion costs for new products.



Michael Angus – "exchange rates affect our accounts"

The Northern Starch and Lipton subsidiaries both turned in record sales and profits.

European operating profit rose 19 per cent, with considerable contributions from the UK and West Germany, which had borne the brunt of restructuring. But there was still work to do. The UK meat trade overall was "miserable," Mr Angus said, and Unilever's Mattessons Wall's operation was no exception. It would need investment, and the manufacturing strategy was being reformulated.

Japan was the brightest spot in the rest of the world. Volume grew 40 per cent last year, mainly on the strength of Timotei shampoo, taking sales to about £200m.

The company plans a final dividend of 8.32p to make a total of 11.86p, compared with 10.232p paid in the 1986 financial year.

Johnstone's Paints downturn

BY FIONA THOMPSON

Johnstone's Paints, the USM-quoted independent Manchester paintmaker, yesterday reported a fall in pre-tax profits from £2.05m to £1.81m for the year to November 28, 1987. This was despite sales advancing by 10 per cent to £16.02m (£14.51m). Earnings per share slipped to 11.32p from 12.89p.

The company was hit by increased raw material and labour costs, exacerbated by fiercely competitive price discounting in the UK paint industry.

"We realised towards the end of last August that we would not achieve 1986 level profits, so revised our forecasts down to £1.8m," said Mr Peter Cavanah, company secretary. The price of titanium dioxide, the biggest single cost item in the manufacture of paint, rose by 12 per cent - a

Labour costs rose by 10 per cent and the company also increased by four the staff on the technical side. This was to maintain the standards which enabled Johnstone's to achieve, in 1986, Part I of the British Standards Institution BS5750, the highest quality assurance registration, said Mr Cavanah.

"The problem was we couldn't pass on the raw material costs in the selling price because of the overcapacity in the market. It is a very competitive market place, there are some silly prices around."

The company is confident about the current year's prospects, however. A series of takeovers and mergers in the industry last year is reducing capacity, and sales so far are well up

The tax charge was £620,000, against £697,000. An unchanged final dividend of 3p was recommended, making an identical 4.765p for the year.

Restructuring provision hits Unidare

Unidare, Dublin-based maker of electrical cables and transformers, returned profits of I£3.02m (£2.69m) pre-tax for 1987, a downturn of I£314,000 on the figures of the previous year.

The profits were struck after taking account of an exceptional provision of £1.5m for restructuring. Sales rose from £56.08m to £61.72m.

Earnings worked through at 15.02p (23.21p) after the exceptional item and tax of £1.33m (£1.39m). A final dividend of 8.5p makes a total of 11.65p (11.5p).

Currency gains help lift Fisons profit 28% to £109m

By Peter Marsh

Fisons, drugs, scientific instrument and horticulture group, yesterday announced pre-tax profits of £109.1m for 1987, an increase of 28 per cent on the previous year.

The company made progress in sales of some of its relatively old drugs based on treatments of asthma and other allergy complaints. Its fast-growing instruments division also consolidated its position, much of which is based on distribution of other companies' equipment in North America.

The City's reaction to the profits growth was, however, muted on the grounds that the figure included a gain of £7.7m on currency transactions which Fisons is treating as an exceptional item.

Such a large currency gain, realised on repayment of Fisons' Euronote dollar borrowing, is unlikely to recur in future years.

Stripping out the currency figure, the underlying profit of £101.4m was roughly in line with analysts' expectations. It was achieved on sales 8 per cent higher at £758.3m.

Earnings per share worked through at 17.4p, an increase of 26 per cent. The directors recommend a final dividend of 2.47p making 4p for the year.

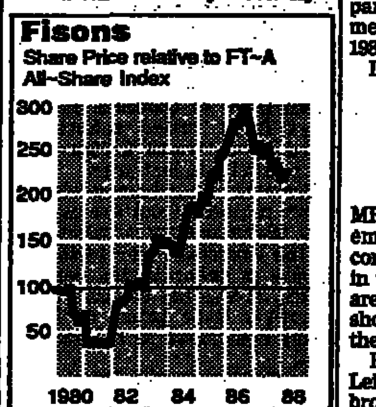
Mr John Kerridge, chairman, said that one of the more positive elements of the year was the strong growth in pharmaceuticals, achieved largely due to a good performance in sales of Fisons' top three anti-allergy drugs, Intal, Opticrom and Nasalcrom.

The division contributes only 37 per cent of total sales but almost three-fifths of pre-tax profits.

In the next few years, Fisons expects a tapering off of revenue from these three medications and an increase in sales of other drugs emerging from the company's development pipeline. Included among these products are Tilade, an anti-asthma formulation which is already on sale in the UK, the Netherlands and the Irish Republic.

● **comment**

Fisons appears to be continuing its steady progress in making a business out of specialist, high-value areas of the chemicals industry. Heavily dependent in the early 1980s on bulk businesses like fertilisers, it now has a spread of interests in seemingly fast-growing areas with good-quality earnings and a broad geographical mix: only about a fifth of revenue comes from the UK and roughly half from the US, with healthy growth coming from other areas such as the Far East. In the short term, much will depend on its ability to squeeze out residual sales from its old anti-allergy drugs, while there may be a question mark over US instruments sales if the economy slows later this year. And analysts are still searching for hard evidence that Tilade will be the wonder drug that some have predicted. Pre-tax profits for 1988 look like being around £120m, which on last night's closing price of 247p, down 7p, gives a prospective p/e of about 13, roughly the average for the sector and nothing to get too excited about.



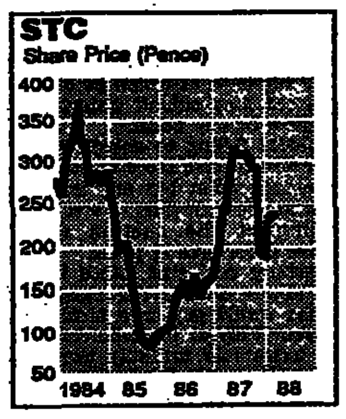
STC advances 40% and completes recovery phase

BY DAVID THOMAS AND WILLIAM HALL

A LARGER order book and further increases in productivity were behind a 40 per cent advance in pre-tax profits to £188m for 1987 at STC, Britain's second largest electronics group.

The profit increase was achieved on turnover up 7 per cent at £2.07bn, with an underlying sales increase of 10 per cent after allowance for discontinued businesses.

Earnings per share jumped 42 per cent to 22.5p, and the final dividend is 4.75p to make 7p (4.5p). With the order book standing at £2bn, the company is forecasting continued progress in 1988.



The results were at the top end of City expectations and the shares closed up 12p at 252p.

STC's cash balance at the end of the year was £196m, a further £116m ahead of the half year position. Restructuring of banking arrangements have also provided the company with facilities of £850m.

However, the company refused to be drawn on any plans for acquisitions, other than to say its strategy was now firmly based on communications and information systems.

The ICL computer subsidiary reported operating profit of £109.9m (£89.1m) on sales of £1.3bn (£1.17bn).

Mr Arthur Walsh, STC chief executive, said ICL's market share increased in the UK and improvements in manufacturing had decreased working capital by £30m-£40m. Some of ICL's overseas businesses, principally in West Germany and Scandinavia, have been rationalised.

He predicted that mainframe revenues would increase again this year and margins would be held. The company is expecting continued growth in the computer market, even if at a lower rate than in previous years.

The communications division produced profits of £72.7m (£56.1m) on sales of £377.6m (£347.9m).

Upgrading orders for the TXE4 exchange together with the incidence of orders for submarine cables would feed through into continuing improvements in the division, Mr Walsh predicted.

Components and distribution reported static profits of £30.2m on sales of £308.6m (£286.5m). The company is investing £10m to improve its distribution activities.

The company is expecting an improvement in 1988 in its defence activities, which last year generated £6.8m (£9.4m) on sales of £63.8m (£81.1m).

Group operating profit was £196.2m (£163m). After deducting interest of £2.1m (£13.6m), exceptionals of £8.1m (£15m), and tax of £63.8m (£47.2m), the profit was £123.7 (£86.7m). An exceptional credit of £11.5m (£16.4m) reflected components disposals.

● **comment**

A 30 per cent rise in STC's full year pre-tax profits before exceptional items, a 56 per cent rise in the annual dividend and the sight of near £200m of net cash in the balance sheet shows that the group's recovery phase is complete. Profits from the ICL computer business, which accounts for nearly two thirds of turnover, rose by 23 per cent and ICL continued to increase its market share. In communications, which accounts for another one fifth of turnover, STC has been able to offset the final rundown of its TXE4 exchange operation, with new business and is now forecasting further growth in 1988. With £2bn of orders in hand, STC should be able to raise its earnings by close to a fifth in the current year, which puts the shares, at 252p, on a prospective multiple of 9.3 and a historic yield of 3.9 per cent. However, longer-term prospects continue to be clouded by the outlook for ICL, and STC has yet to convince the market that this is not a highly cyclical business. With over £1bn of cash and borrowing facilities, STC is finally in a position to counter the market's worries about ICL by adding a third leg to its business, which explains the continuing rumours about STC's interest in Plessey's defence operations.

See Management Page

Record's flotation forecast exceeded with rise to £3.1m

BY PHILIP COGGAN

Record Holdings, the Sheffield-based hand tools manufacturer which rejoined the stock market after a management buyout last year, has exceeded its flotation forecast of not less than £2.7m with pre-tax profits of £3.09m in 1987.

Record produces tools under the brand names Record, Marples, Gilbow, Ridgway and Coronet for use in the engineering and woodworking industries. The company was previously listed between 1972 and 1980 as Record Ridgway when it was taken over by the Swedish company AB Bahco. The management then staged a buyout in 1985.

Last year's 54 per cent profits increase was achieved on only slightly higher turnover. Mr David Watson, Record's finance director, said that margins had improved substantially because the company had concentrated on more profitable markets and had reaped the benefits of previous capital investment. Capital expenditure was £1.6m last year and would increase to over £2m in the current year.

The hand tool business has now been reorganised into three subsidiaries, Industrial Tools, Woodworking Tools and Export. In February, the company acquired four hand tool manufacturing and distribution companies from Christy Hunt for £1.2m in cash. "The purchase gave us two excellent brand names, Wilkinsons and Gordons" said Mr Watson.

Mr Michael Mallett, the chairman, in his statement said that current trading was satisfactory. Although markets were not particularly buoyant, there was no sign of any significant fall in demand.

Trading profits were £3.51m (£2.65m) on turnover of £25.4m (£24.4m) and the interest charge fell, thanks to the placing receipts, to £419,000 (£642,000). Pre-tax profits were thus £3.09m (£2.01m) and after tax of £949,000 (£681,000), earnings per share were 60 per cent up at 8p (5p). The final dividend is being set at 0.55p.

Buy doubles Edenderry's size

BY PHILIP COGGAN

MR MICHAEL Ward and Mr Jeremy Howarth, the banker and corporate treasurer who moved in to Edenderry Group, last year, are doubling the size of the Irish shoe manufacturing group with their first acquisition.

Edenderry is buying Lanton Leisure, a subsidiary of the Ladbroke Group, for £10.25m, compared with Edenderry's current market capitalisation of around £8m. Ladbroke said the sale was part of its policy of disposing of peripheral interests.

The acquisition will involve the issue of 22.98m shares, more than twice the existing equity.

The shares have been conditionally placed at 50 Irish pence (44p) each with institutional investors, subject to a 100 per cent clawback facility for existing shareholders.

Lanton runs 10 leisure centres operating under the names Cue Ball and Cue Ball Flagship in Scotland and a Henry J Bean theme pub, operating under a franchise from Mr Bob Payton's My Kinda Leisure. Last year the company made pre-interest profits of £730,000 on sales of £5.7m and had net assets of £6.25m.

Edenderry was a fairly sleepy Dublin-listed stock until it was announced last July that Messrs Ward and Howarth, together with two other businessmen, were investing via a rights issue. The shares, which had been trading at 59 Irish pence touched 700 pence within a few days.

Mr Ward, a director of S G Warburg, and Mr Howarth, formerly group treasurer of Ladbroke, have become chairman and chief executive respectively. They intend to use the company as a vehicle for expansion in the leisure and other sectors and said yesterday that the original shoe manufacturing business "did not feature in the group's long-term plans".

Edenderry obtained a listing on the London market just a week ago but the shares were suspended yesterday until the deal is completed.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres- ponding div	Total for year	Total last year
Cooper (Alan)	fin	3.25	Apr 20	-	4.75	-
Fisons	fin	2.47	-	1.98*	4	3.25*
Fleming Merc	fin	2.55	-	2.25	4.05	3.75
Johnstone's Pts	fin	3 §	-	3	4.77	4.77
Pickwick	fin	1.8	May 5	-	2.6	-
Radius §	fin	3	Apr 8	2	4.25	3
Second Market	fin	0.33	-	0.33	0.33	0.33
Space Planning §	int	0.75	-	0.6	-	1.8
STC	fin	4.75	-	3	7†	4.5
Task Force §	fin	1.9†	-	1.18	2.9	1.18
Templeton G'hth	fin	6.5‡	May 6	6	10	9
Unidare ☆	fin	8.5	-	8.5	11.65	11.5
Unilever	fin	8.32	-	7.28	11.86	10.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡US cents throughout. ☆Irish currency.

Hanson conversion

Hanson said that holders of 81.3 per cent of its £178m 8 per cent convertible unsecured loan stock 2004/2009 had converted their holdings into Hanson ordinary shares.

As indicated in the conversion notice to stockholders, Hanson intends to exercise its right to require remaining holders of the stock to convert their holdings into ordinary shares and a notice to this effect will be despatched to such holders prior to March 25.

UK COMPANY NEWS

Nikki Tait reports on the fight surrounding Drayton Japan

Seconds out for the main bout

LORD STEVENS – victor in the bid battles for Fleet Holdings and Extel and subsequent scourge of the print unions at the Express group – is no stranger to a scrap. But even he cannot relish his chances at 3pm this afternoon.

That is when shareholders will pile into Devonshire Square to decide the future of Drayton Japan Investment Trust, the largest MIM-managed trust with net assets topping £280m. Lord Stevens, wearing his fund management hat, is a director of Britannia Arrow, MIM's parent, chairman of MIM itself and heads the Drayton Japan board.

Lord Stevens – no stranger to a scrap.

The battlelines are clear. In one corner stands AJS Partners, an American investment partnership which has built a 27 per cent voting stake in Drayton and now wants to cash in that holding at close to its underlying net asset value – in short, an arbitrage exercise. In the other is MIM, naturally anxious to retain the maximum amount of funds under management. In between come the remaining shareholders – including some large institutions – and a strong undercurrent of City politics.

The background to the fracas is fairly simple. New Jersey based AJS has been accumulating shares in Drayton for about a year. Its holding went over the disclosable level last autumn, and in November the Americans approached Drayton to suggest moves which would eliminate the discount – the difference between the value of a fund's underlying assets and its share price.

One notion was that AJS itself would make a recommended bid, worth at least 98 per cent of net asset value once the trust's portfolio had been liquidated. Drayton dismissed the offer as "unacceptably low" and the prior liquidation request as "an unrealistic precondition." So AJS increased its stake to 27 per cent of the trust's votes and requisitioned an extraordinary meeting at which it hoped to get general shareholder backing for some (unspecified) discount-eliminating scheme.

MIM's response was robust. First – to the displeasure of some institutional shareholders – the fund management group raised its own holding in Drayton Japan to just over 25 per cent. That allows it, like AJS, to block any reconstruction scheme it dislikes. Secondly, in response to egm pressure, it drew up plans to convert the Japanese specialist fund into a largely UK-invested "split level" trust. This would offer ordinary shareholders different classes of income and capital shares in place of the existing single class; the voting preference stock would be repaid at par.

MIM argues that these proposals comply with the discount-eliminating request. AJS maintains that its initial resolution was designed to allow shareholders to realise their investment at close to net asset value, and that the split level scheme does not fit the bill. Accordingly AJS has amended today's resolution to specify that some mechanism for realising shareholding in cash – not involving stockmarket sales – be included.

It is certainly true that "split level" reconstructions are highly attractive to managements because they guarantee that all the existing funds will be retained. Other types of reconstruction – unitisation, for example – risk some flight. What is being questioned is their present efficacy as a discount-eliminating mechanism, and Drayton Japan's suitability in particular.

Essentially, the trick is to separate the income and capital elements of an ordinary share so that additional demand is created, and the package overall trades at close to underlying asset value.

Three schemes hit the market in 1987 – River & Mercantile, River Plate & General and Scottish National. These broadly worked well. Although the new capital shares fared badly in the October crash, the various income/preferred shares saw their charms enhanced. MIM calculates that at end-January the premium to net assets on the overall packages of new shares ranged from 2.4 per cent at River & Mercantile to 10 per cent at Scottish National.

Unfortunately, the latest trust to follow this route – the independently-managed General Consolidated – looks less happy. Its new shares started trading on Monday; yesterday the income stood at 95p, the stepped preference at 99p, but the capital at only 75p. This contrasts with advisers' estimates that all three classes should start in the 96p-104p range. Admittedly, these are very early days, but at the current levels the reconstruction package has achieved only 92 per cent of net asset value. In the words of one adviser, "Sentiment isn't with these things at present – it's part of the story of continuing disenchantment with investment trusts."

As AJS points out, there could be added difficulties with Drayton specifically. If the Americans, together with other large holders, want to sell, the new shares could start with a large technical overhang. Moreover, the current Drayton portfolio is not best-suited to servicing the higher yield requirements; wholesale changes will be necessary.

In addition, the Drayton scheme envisages a new innovation – a "pure" income share with a gross yield of 15 per cent but entitled to virtually no capital repayment when the trust is wound up in ten years' time. Investors' enthusiasm for such a security is at best untried. MIM's response is that marketing – had AJS not be so obstructive – could have secured ample demand all round. Unfortunately, AJS's objections have now been amply voiced.

The added dimension is the extent to which long-standing City frictions are in play. AJS's adviser is merchant bank Kleinwort Benson – adversary of Lord Stevens during the bitter bid battles by United Newspapers for both Fleet Holdings and Extel. In both cases, Lord Stevens emerged as victor. AJS, however, strongly rejects suggestions that its action has been prompted by the UK merchant bank. It was buying shares long before it even talked to Kleinwort, says Mr Andrew Shechtel, managing general parter.

Whatever the undertones, it clearly suits certain institutions to align themselves with the AJS camp. The likes of Standard Life and the Pru are wellknown disinvestors from the investment trust sector when the terms are right, and AJS – its own stake aside – reckons to count on another 15 per cent of Drayton's votes at least.

Since today's resolution requires only a 50 per cent majority, the odds against MIM look high. What might happen next is less clear. If it loses today, MIM still expects to put its own proposals to shareholders on March 14, and retains its blocking stake. Mr Shechtel declines to discuss hypothetical situations, saying only he "would hope and expect" that the shareholders' wishes would be respected.

Yet the tussle has dragged on already for four months. Somehow an early solution does not seem in sight.

Metal Box expands radiator presence with £40m deal

BY CLAY HARRIS

Metal Box, the packaging and container group, yesterday strengthened its position as Europe's largest manufacturer of central heating radiators by agreeing to pay £40m for Henrad Beheer, a privately owned Belgian company.

After the acquisition, Metal Box's Stelrad subsidiary will account for an estimated one-sixth of the £600m European radiator market. Henrad is the leading manufacturer based on the continent.

The purchase is to be funded by a vendor placing of 21.7m shares, 7 per cent of enlarged share capital. The placing, the largest in London so far this year, was underwritten at 184p by Baring Brothers. Metal Box shares fell 2p to 191p.

Metal Box said that Henrad, which has invested heavily in its factory at Herentals, Belgium, was the most efficient radiator manufacturer in Europe, with technology more advanced than that used by Stelrad itself.

This was reflected in a pre-tax margin of 25 per cent in 1987, based on unaudited figures which showed profits of £7m on sales of £28.2m.

Henrad specialises in high-output convectors, which produce more heat from smaller radiators. Useful in any application where space is a factor, whether for structural or design reasons, the radiators are especially popular in West Germany.

Although Henrad will retain its name and be managed as a separate business by Mr Louis Hendrickx, its former owner, Stelrad expects to develop joint raw material procurement and components manufacturing.

Stelrad's sales of £146.6m and trading profits of £13.1m accounted for 12.9 per cent of Metal Box's totals in the year to March 31 1987. Analysts expect the proportionate contribution, which includes the Ideal boiler operations, to increase in the current financial year.

Stelrad already makes radiators in Austria and the Netherlands, in addition to Britain.

Moorgate service contracts

BY CLAY HARRIS

THE SERVICE contracts of two directors of Moorgate Mercantile Holdings, the leasing and credit finance company, were altered shortly before Woodchester Investments, the Irish-based leasing group, made an approach which led to an agreed £38m takeover bid.

Mr Paul Griffiths, Moorgate finance director, was given a three-year contract expiring in November 1990. Previously, his service was terminable at less than a year's notice. His salary was unchanged at £38,000.

Mr Gordon Wiggins, managing director of Moorgate's Nene Investments subsidiary, was given a three-year rolling contract, initially at £35,000, to replace an identical fixed term expiring on August 31 1989.

The new contracts did not take effect until after Woodchester's December approach; Mr Wiggins' on January 6 and Mr Griffiths' on February 2. According to the offer document, however, the changes were agreed in November.

Woodchester intends to retain both directors in their current positions.

Troubled Shield in talks

BY PHILIP COGGAN

Shield Group, USM-quoted property developer and estate agency, announced yesterday that it was in discussions with a number of parties which might lead to an offer for the company.

The news comes with the share price at an all-time low following the announcement last month of a Department of Trade and Industry investigation into possible insider dealing at the group.

The DTI is investigating dealings between December 1 1986 and March 20 1987; on the latter date it was announced that the company was establishing a joint venture with Mr Gerald Ronson's Heron Group.

Shield issued a statement stating that it knew of no contravention of the insider dealing rules by its directors, who were co-operating fully with the inspectors.

Shield's shares touched 380p after news of the Heron deal; following the crash and news of the investigation, they are down to 95p, capitalising the company at £10m.

Dobson bid for MSI extended

By Clay Harris

Dobson Park Industries yesterday extended its £35.1m takeover bid for MS International until March 14 after receiving acceptances for only 5,000 additional shares in the two weeks to Monday.

This raised total acceptances to 0.91 per cent. Dobson Park bought 3.19 per cent of MS in the market shortly after launching its bid on January 12, but the MS share price has stayed above the value of the offer since then.

With Dobson Park shares at 102p yesterday, its cash and shares offer is worth 91p against MS's market price of 114p. There is a 90p cash alternative.

MS has until Friday to publish a profit forecast for the year to April. If Dobson Park is to raise its offer, it must do so by March 11.

The bid has been cleared to proceed without a reference to the Monopolies and Mergers Commission.

Management buy-out planned at OIS offshoot

BY CLAY HARRIS

Oilfield Inspection Services, the testing and inspection group facing a £4.5m hostile takeover bid from a consortium led by Mr Paul Bristol, said yesterday that it planned to sell its loss-making engineering subsidiary to a management team.

OIS also estimated a pre-tax loss of £165,000 for 1987 on turnover of £11.5m, against a profit of £21,000 on sales of £6.6m in 1986. It did not make a forecast for the current year.

The group said it had substantially agreed terms for the sale to the managers led by Mr Colin Seward, the engineering subsidiary's chief executive.

Mr Seward would leave the OIS board, but the former parent company intended to retain certain exclusive rights over existing key technology and access to future developments.

OIS estimated that continuing operations (excluding engineering) made a pre-tax profit of £170,000 in the second half of 1987, compared with a £41,000 first-half loss.

Mr Bristol, whose 1981-85 record as chairman of BOM Holdings was criticised in OIS's defence document yesterday, last night attacked the disposal plan. He said that OIS should instead expand its research and development activity.

He also dismissed OIS's statement that it was holding discussions with other interested parties as the "hint of a phantom white knight."

UK COMPANY NEWS

Steven Butler on the NZ Government's decision to block the £298m British Gas deal

Stirring up another political storm

JUST YESTERDAY morning, British Gas negotiators in Wellington were confident and optimistic that terms for a binding agreement would soon be struck with the New Zealand Government to buy the Government's 70 per cent stake in Petrocorp for £298m.

Indeed, they were talking about using their expertise in gas distribution to improve efficiency and increase gas distribution profits.

Yet by the end of the day in London, British Gas was fighting a rearguard action to defend itself against the harsh accusations of the New Zealand Government after New Zealand abruptly pulled out of the deal.

What went wrong in the meantime? Was British Gas, in its naivety and overconfidence, tacking unreasonable conditions onto an agreement in principle with the New Zealand Government, as Wellington now asserts?

Or rather, was British Gas merely the innocent victim of an incomprehensible and unpredictable political blunder by the New Zealand Government, which had come under sharp political attack at home for selling important national resources abroad?

Petrocorp has 70 per cent of New Zealand's proven oil reserves and 50 per cent of its gas, a monopoly on the transmission and wholesaling of natural gas and is a major gas retailer.

It is, unfortunately, impossible to know the full answer just yet, although one suspects that British Gas was in an inherently vulnerable position given the New Zealand Government's recent sharp drop in popularity along with the real possibility that a domestic buyer might be found who would offer terms at least equal to British Gas.

Mr Richard Prebble, state-owned enterprises minister, and Mr Roger Douglas, finance minister, had lost few opportunities in recent weeks to defend the sale against their many critics, who ranged from the political opposition to the local press and powerful business interests; including Sir Ron Brierley, who is also interested in acquiring Petrocorp.

Is one then to accept as genuine Mr Prebble's sudden change of heart about British Gas, and believe the accusations that British Gas unexpectedly requested that the Government provide unreasonable indemnities in a long draft contract document?

And were these conditions so obnoxious, and British Gas so inflexible, as to merit no further negotiation?

Perhaps, but one cannot believe Mr Prebble while accepting as true yesterday's statement by British Gas to the Stock Exchange. British Gas said that all the provisions of its draft contract were known to the New Zealand Government before the agreement in principle was announced.

Richard Prebble (left), New Zealand's state-owned enterprises minister, and Roger Douglas, finance minister: lost few opportunities to defend the sale against their many critics

British Gas also implied that the New Zealand Government had broken faith by making a unilateral announcement, and indeed if it were simply a case of two sides not agreeing on terms, it is hard to see why an agreement to terminate discussions could not have been announced.

At the same time British Gas said the New Zealand Government had agreed not to enter into discussions with other possible buyers until the agreement with British Gas was terminated or expired on March 31.

It is, of course, the second time in as many acquisition attempts since its privatisation in December 1986 that British Gas has stirred up a political storm by trying to acquire what were seen as important national assets overseas. In the case of Bow Valley Industries in Canada, British Gas was forced to accept a complicated arrangement by which it would acquire 51 per cent of the company, but only 33 per cent of voting rights.

There may be, in the end, little in the way of a lesson for British Gas to draw from these experiences. If British Gas was assured by the New Zealand Government that it would act to absorb the political heat, and the deal to acquire Petrocorp still looked attractive on commercial grounds, British Gas cannot be faulted for trying to proceed.

The broad strategy of trying to acquire overseas assets in the gas industry in order to provide new sources of growth makes as much sense now as it did

But the method of biting off big chunks of assets that give it a dominant position in the target country, not entirely disimilar to its domestic situation, must now appear more risky than originally anticipated.

Nearly a year ago British Gas said it was prepared to spend a £1bn to expand overseas and it has surprised observers by the speed with which it acted. About a third of the money is going for the purchase of Bow Valley Industries.

To spend the rest, however, British Gas may find eventually that it will have to break new ground for itself, finding a place in more highly competitive markets.

Insurance fall leaves Ansbacher down 8%

By David Lascelles, Banking Editor

Henry Ansbacher Holdings, the merchant banking and financial services group, suffered an 8 per cent fall in profits in 1987, principally because of the poor performance of its insurance broking arm.

Pre-tax profits were £5.1m, down from £5.6m in 1986. Of the group's three operating divisions, merchant banking produced the strongest results with operating profits of £5.2m, up from £4.3m the previous year. Mr Richard Fenhalls, the chief executive, said that fee income from corporate finance had been particularly strong. The bank also came through the October market crash with minimal losses.

Shipbroking benefitted from the upturn in the shipping market and its involvement in larger deals. Profits were £152,000, up from £87,000.

Insurance broking earned only £320,000, down from £1.6m in 1986. Mr Fenhalls said a number of factors had depressed the result, including the decline of the dollar in which most of the revenues were denominated, and the loss of a key team of marine brokers. Margins in the insurance broking market were also low, he pointed out.

However, new people had been recruited, costs had been cut, and he believed the operation would show a better result this year.

Ansbacher also suffered a higher tax charge last year because trading tax losses from its earlier troubled period have been exhausted. Post-tax profits were £3.5m, against £4.8m. The dividend is being maintained at 2p.

The company raised £69m in a rights issue in November which coincided with the market crash. This obliged its major shareholder, GBL/Pargesa, the Belgian-Swiss financial group, to raise its stake from 51 per cent to 55 per cent. Some of these shares may now be placed out in the market to bring the group's shareholding back down to its original level.

Mr Fenhalls said the new capital would be used to strengthen the banking operation, enhance existing businesses, and for acquisitions. But he said: "This is a time for caution". He was confident, however, that Ansbacher's prospects for 1988 were good.

Templeton increases profits and assets under management

BY DAVID WALLER

SHARES IN Templeton, Galbraith and Hansberger, a Nassau-based fund management group which joined the London stock market in 1984, yesterday gained nearly ten per cent after the company reported an encouraging set of results for 1987 – and furnished evidence to suggest that the October crash had not had a calamitous effect on its business.

At $52m (£29.4m), pre-tax profits bettered City expectations, and the previous $44m. So did the disclosure that assets under management had shown an 8 per cent increase over the year to $10.4bn ($9.6bn), despite the effects of what Templeton called a "market correction" on October 19.

During the year, the group attracted $1.86bn of new money by way of mutual fund sales, the flotation of closed-end funds and the sale of pensions, endowments and trusts.

In the post-crash period, the group reported net redemptions worth less than 1 per cent of mutual funds under management.

The final dividend is to be 6.5 cents making 10 cents for the year – an increase of 11 per cent. Earnings per share rose from 21.4 cents to 27.3 cents.

Turnover was $10.6m ahead at $133.6m. The contribution from investment advisory, management and service fees rose from 37 to 45 per cent of the total.

Distribution costs declined slightly from $64.8m to $62.1m, but administrative expenses advanced from $15.1m to $23.6m. Templeton attributed this to the costs of expansion in Australia, Hong Kong and Canada.

The tax charge fell from $9.7m to $8.5m, a decrease in the company's effective tax rate from 22 to 16 per cent. Templeton said that this was less attributable to US tax reform than to the increase in investment advisory fees earned in countries with favourable corporate tax structures.

In a separate development, Templeton yesterday announced the formation of a European headquarters in Edinburgh. The office will be responsible for the mangement of unit trusts in the UK and for marketing those trusts within Continental Europe.

A team of four fund managers has been recruited to run the new venture, headed by Mr Colin McLean, for the last two years assistant general manager (investment) at Scottish Provident.

● **Comment**

Templeton's composure in the face of Black Monday contrasts markedly with the savage punishment inflicted on the fund management group's own shares since that gloomy date. Templeton had the double-disadvantage, from the UK investor's point of view, of being not only a fund-manager but a dollar-denominated one to boot – and despite yesterday's rally, the shares still stand a long way below half their pre-Crash peak. Given the group's cautious, long-proven investment strategy, its broad geographical exposure and the likely success of the Global Bond currently being marketed in the US, the group should at least dupicate its 1987 performance during the current year. This puts the shares on a p/e of 7.5: hardly demanding for those who think that both equities and the dollar have stabilised.

Alan Cooper hits £1.9m and orders show advance

GROWTH HAS continued at Alan Cooper Holdings, maker of office furniture. For 1987 it lifted pre-tax profit from £1.39m to £1.9m, on turnover 30 per cent ahead to £8.34m.

Earnings worked through at 12.08p (10.1p) after tax of £664,000 (£504,000). The final dividend is 3.25p for a total of 4.75p. The company obtained a full listing last April.

During the year priority was given to increasing production capacity. Certain costs were incurred in the second half while output was raised and the factory reorganised.

The group had started 1988 well placed for further expansion. Orders received were comfortably ahead of last year.

Cash holdings were strong at £2.12m (£1.15m) and would enable the group to take advantage of any suitable acquisition opportunities.

Space Planning sharply ahead at £264,000

Space Planning Services, an office design consultant enlarged via two acquisitions during the past 12 months, yesterday reported a £159,000 surge in profits to £264,000 pre-tax for the half year ended December 31 1987.

The directors said the figures reflected a return to the levels of income and profitability enjoyed in the 1985-86 year.

Although Black Monday and the end of the bull market may have dented business confidence in some areas, they believed the company's spread of activity, both by location and by industry, would cushion it from any lasting effects.

Half year earnings amounted to 3.54p (1.34p) and the interim dividend is stepped up from 0.6p to 0.75p.

It was announced in October that furniture maker Minty had taken a stake of just under 9 per cent in SPS as a "commercial investment."

Space Planning joined the USM in June 1986 and returned taxable profits of £286,000 in its first full year on the market.

Ellis & Everard

Ellis & Everard is to acquire Colt Chemical of Leeds for £1.725m, satisfied as to £1.17m cash and £550,552 of new shares to two Colt shareholders. Net assets have been warranted to be not less than £563,000 as at February 29, 1988.

Task Force plans acquisition as profits rise

BY DOMINIQUE JACKSON

Task Force Group, the USM-listed computer personnel agency, lifted pre-tax profits by 44 per cent from £855,000 to £1.23m for the year to end November 1987.

At the same time, the company announced it had agreed to acquire Planned Labour Hire for a total consideration of £2.4m. Planned Labour is a temporary labour agency

Turnover was up 27 per cent from £12.4m to £15.7m. The figures include the profits of Bertram Personnel Group, which was acquired for £4.5m last June, under the merger accounting method.

Mr Tony Martin, chairman, said the current year had started well, unaudited management figures were at new highs and the demand for the company's services continued to grow.

Organic growth, even discounting the acquisitions, had been of the order of 45 per cent, he said.

The directors have recommended a final dividend of 1.9p per share, against 1.18p in 1986, on earnings per share of 10.3p, from 7.1p.

The total consideration for the acquisition will be satisfied by a three-part package.

This will include £600,000 in cash, the issue to the vendors of Planned Labour of a total of 720,000 new ordinary fully paid shares in Task Force, representing 8.7 per cent of its enlarged share capital, and the issue at par to the vendors of £400,000 nominal of 7.5 per cent redeemable unsecured 1993 loan notes in Task Force.

● **comment**

The temporary employment business has burgeoned lately, expanding by between 30 and 40 per cent annually, leaving even the bigger agencies behind in the race to gain share of what is still an extremely fragmented market. Task Force has justified its independence with steady profit growth and sound acquisitions. The latest group recruit, Planned Labour, will diversify Task Force's base into lucrative industrial services, just as last year's purchase, Bertram, moved the company strategically into the Midlands and North, areas now experiencing the temping boom already seen in the south-east. Task Force still shines as the caring agency in its original computer personnel service, where acute shortages of trained boffins ensures its continued success. Forecasts range from £1.7m for a prospective multiple of 18, to £2.1m, bringing the p/e down to 11; at which level Task Force compares favourably with the sector.

Hartons launches deeply discounted £6m rights

BY CLAY HARRIS

Hartons Group, the plastics distributor and PVC foam maker, yesterday launched a deeply discounted rights issue to raise £5.8m after expenses.

The proceeds will be used to reduce borrowings and to prepare for further overseas expansion. Hartons will be looking especially for acquisition opportunities in West Germany and Canada, two countries in which it has no presence.

Hartons also estimated that tax before profit and minority interests reached £5m in 1987 against £3.5m in 1986 on turnover ahead from £56.6m to £88m.

It forecast a final dividend of 0.81p (1.07p) to make an unchanged total of 1.42p. For shareholders who take up their rights, the total payout for 1987 will be 14 per cent higher than in 1986.

Strong growth in the VT Group, Hartons' plastics distribution business, raised its contribution to 75 per cent of pre-tax profits last year, against two-thirds in 1986. Elson and Robbins, the main manufacturing operation, also made progress, Hartons said.

The two-for-five issue is priced at 25p, compared with the market price of 70p before the announcement. Shares will also be offered on the basis of two for every £2.40 in convertible preference shares held.

The deep discount on the issue, which is not underwritten, is intended to encourage shareholders to take up rights despite general market uncertainty, according to Mr Colin Aston, managing director.

The issue will reduce gearing to 20 per cent.

Directors holding 35.6 per cent of ordinary shares and 10.1 per cent of preference shares are to take up their rights.

Pickwick exceeds prospectus forecast

BY GRAHAM DELLER

CLASSICAL virtuosos such as Leonard Bernstein and Daniel Barenboim are not normally associated with budget-priced compact discs.

However, Pickwick Group, the long-established record company which came to the market via a successful flotation last May, will feature both, among other highly-regarded names, in its new "Duet" range of double disc packages.

In the year to end-December, taxable profits, boosted by record Christmas volumes, expanded by 88 per cent to £3.01m on turnover up from £19.38m to £31.76m. This followed a 93 per cent profits increase at the halfway stage and easily topped the directors' prospectus forecast of £2.6m. The shares rose 11p to 193p yesterday.

The "Duet" launch, according to Mr Ivor Schlosberg, chief executive, will increase Pickwick's already substantial penetration into the rapidly-expanding compact disc field, and provide a further boost to profits.

He also welcomed the possible threat to compact disc sales presented by digital tape technology

A final dividend of 1.8p is proposed for a total of 2.6p.

Mr Monty Lewis, chairman, said that 1987 reflected, for the first time, a full 12 months trading in pre-recorded videos. Pickwick had sold 2.75m such videos during the year, he added.

Expansion in this field, notably a distribution deal for Ladybird videos – "a big name in the UK children's market" according to Mr Schlosberg – as well as growth in Pickwick's cassette and book activities with the Mills and Boon and "Cook-a-Long" series would help the group to move away from its previous dependence on the Christmas market. Mills and Boon cassettes had sold 100,000 copies in the two weeks since their launch, he said.

After tax of £1.07m (£613,000), earnings per share increased to 8.9p against 4.7p last time.

Radius profit rises to £2.11m

Turnover increased 37 per cent at Radius for the year to end-November 1987, due mainly to a full year's contribution from the Advanced Business Technology acquisition of £1.67m. On sales of £10.46m, compared with £7.61m, taxable profits rose from £1.51m to £2.11m.

The directors of this USM-quoted company said similar growth was achieved in each of the three main areas: software products and services, hardware maintenance services and equipment supply.

An increased final dividend of 3p is planned, making 4.25p (3p) for the year. Earnings per share came out at 14.5p (10p). A one-for-one scrip issue is proposed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Consolidated Gold Fields, Galliford, Global Group, Jos Holdings, Kleinwort Dev Fund, Lowtex, Medminster, Shandwick.

Finals- Commercial Union Assurance, T. Cowie, John Crowther, General Accident Assurance, International Thomson, Inchcape, Mount Charlotte, Pavor Systems, United Plants Africa.

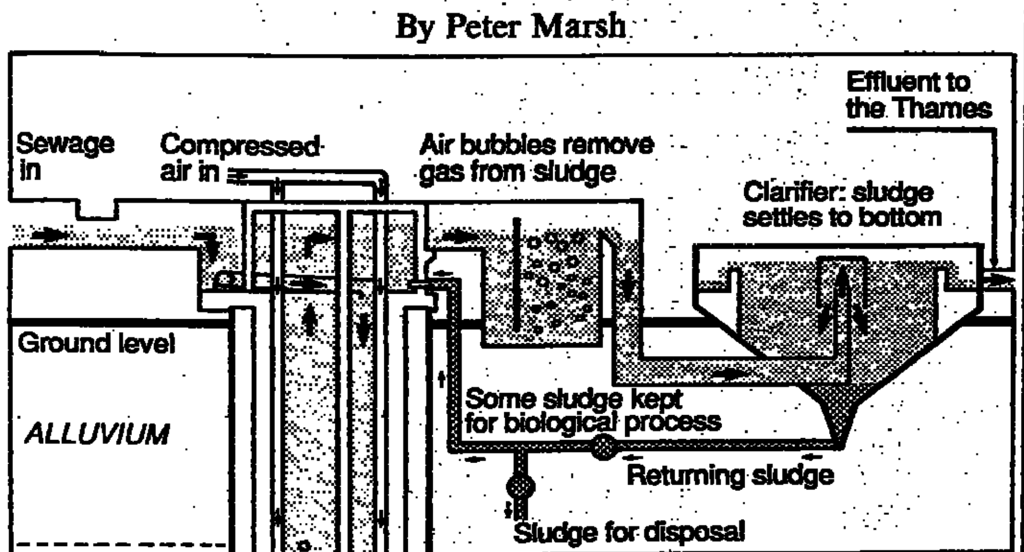
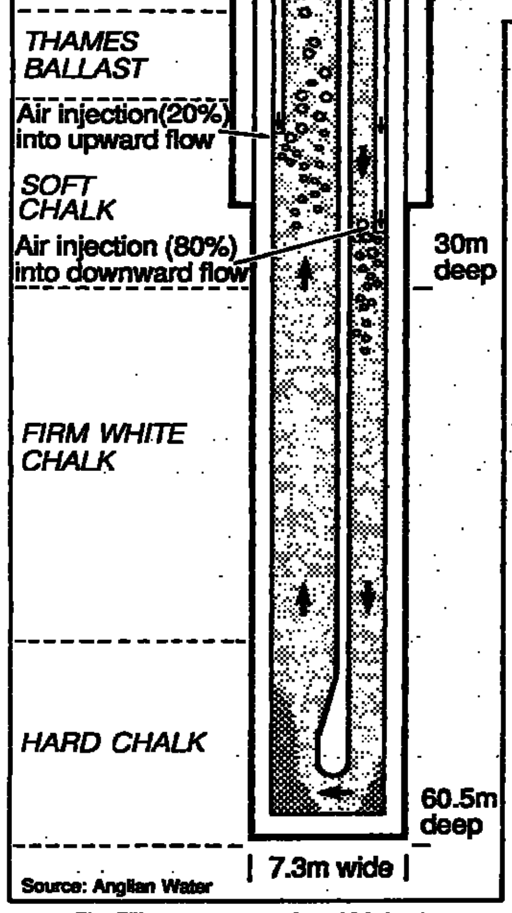
FUTURE DATES

Interims-	
Bejam	Mar 9
Harrisons Malaysian Plantations	Mar 11
High Point Services	Mar 7
Irish Glass	Mar 4
Kleinwort Benson Intl Income Bond Fund	[illegible]
Prestwich	Mar 3
Triton	Mar 7
Zambia Copper Inv	Mar 17
Finals-	
De Beers Consolidated	Mar 11
Jourdan (Thomas)	Mar 8
BSG	Mar 28
Lancaster	Mar 22
Libra bank	Mar 3

SEWAGE DISPOSAL

Digging deep to solve a problem of space

By Peter Marsh

The Tilbury sewage works, which treats 30,000 cu m of waste a day.

WASTE DISPOSAL authorities around the world are being asked to dig deep holes in the ground – all in the cause of treating sewage relatively inexpensively and in a way that uses only a small land area.

The process relies on an invention in the 1970s by engineers at Imperial Chemical Industries. In a spin-off from work on fermentation, the engineers worked out how the organisms that appear in sewage could be digested highly efficiently by spurting currents of oxygen through the waste material.

ICI discovered that the technique worked best by passing the air through sewage in a shaft up to 100 metres deep.

The chemical reactions which occur in the process are basically the same as those that happen when sewage sludge is treated in large "farms", in which the material is spread out in beds and exposed to air. The difference, however, is that the land area needed for the site is greatly reduced.

Waste treatment plants based on the ICI process have been in service for several years in Japan, West Germany and Canada.

In Britain, water authorities have so far displayed only luke-warm interest in the ICI technique. Last year, however, the Anglian Water Authority installed a £7m treatment works based on the process at Marsh Farm, Tilbury, on the outskirts of London.

The Tilbury works treats an average of 30,000 cu m of waste a day, comprising both human sewage and some effluent from factories. According to ICI's biological products division, which is based in Billingham, near Middlesbrough, running costs for the plant are roughly a third of those for a conventional sewage farm handling the same amount of waste.

The division leaves the building of plants based on the deep-shaft process to contractors, which have a licence to use the company's know-how. London-based Paterson Candy built the Tilbury plant. Other licensees include Lurgi in West Germany, Eco Research of Canada and Mitsubishi Kakoki Kaisha in Japan.

Jane Rippeteau reports on efforts to give domestic appliances electronic brainpower

The thinking machine's long haul to the market

SO YOU THINK you are smarter than your washing machine.

Some of the latest models may have a few surprises for you. Just try to tell the machine to do something stupid – like run your woollens through a pre-wash cycle, or wash your silks at a scalding 85 degrees C. Without you even knowing it, the machine will override your commands.

Such refinements, made possible by adding electronic "brainpower" to machines, are on the increase. The home appliance business is a competitive one and manufacturers need "an edge other than just price," says Roger Baxter, UK managing director for Sweden's Electrolux, the world's leading home appliance maker. "We've all got to look for significant product differentiation." That's possible, he says, through the use of electronics both to improve reliability and add new functions.

But progress has been slow. Digitally based features in washers and dryers, dishwashers, refrigerators, even vacuum cleaners, still offer only a glimmer of the automated home-of-the-future promised by imaginative manufacturers years ago when the age of electronics made "smart" appliances possible.

Japan and the US have pressed ahead towards home automation, in which electrical equipment – ranging from home computers to microwave ovens, security systems and washing machines – can be linked together through the home's central wiring. Development of technical standards is further along than in Europe and a gradually increasing number of products for home control or appliances that will work in such networks are on the market.

"In Europe it's still very early days. There's certainly not a lot of enthusiasm for it," says Dave Dossett, senior technical officer at the UK Association of Manufacturers of Domestic Appliances.

Progress is expected to pick up later this year when Cenelec, the European commission for electro-technical standardisation, begins completing rules, called signalling controls, to govern the transmission of electrical signals over home wiring. Also, Electrolux in January set up a new company, Electrolux Security Systems, headed by Bertil Ohlberger, to develop home security and appliance control systems. The unit's first home controller will be launched in April.

For the most part, though, appliances with remote control, speech capability and electronic "brains" that can act on feedback from clusters of sensors are rare. Maurice A. Jones, chief engineer for electrical goods at Hoover, the UK home laundry and floor care company, says colleagues returned from a recent domestic appliance fair in Cologne with no reports of "anything new or staggering."

In the early 1980s, recalls Jones, "there was an explosion in Europe in programming machines. There were digital watches, calculators. We thought, why not electronics in washing machines? So the industry went that way."

Consumers, deterred by a price premium, largely did not. For instance, although leading laundry machine makers now each offer at least one model with an electronic control panel, such equipment accounts for a mere 3 to 4 per cent of UK sales. With an extra £20 per machine in materials and a small-volume production run, "they are very expensive to produce," says Jones.

"The attraction of the microprocessor in terms of flexibility is not immediately obvious to the consumer," says Jeoff Samson, managing director of Hotpoint, the appliance subsidiary of General Electric Co of the UK. In many cases, electronically programmable machines seem more complicated to operate. Electronic features, concedes Baxter of Electrolux, "are not a demand that originates with the consumer."

Despite this, manufacturers are finding a number of important ways to bend electronic technology to the service of domestic chores. Most of the successful applications of controllers, sensors, microprocessors and other digital devices are not obvious to the consumer, but in fact are ensuring greater reliability and more sophisticated performance of machines.

"We are in the business of selling convenience to the consumer," says Peter Hunt, technical director at the UK arm of Electrolux of Sweden. "One of the developments that enables us to do that is the inclusion of electronics."

Electrolux's latest canister vacuum cleaner, aimed at the top end of the market, uses electronic sensors and microprocessors to bring on-off, variable speed and power surge controls into the handgrip of the hose. "You can make the machine do what you want it to do with movements of the thumb, without having to bend or touch the machine itself," says Hunt.

Another electronic feature introduced last year provides user control over a 40 per cent power surge for cleaning difficult spots. With the press of a button, a microprocessor directs the motor to surge from 1,000 watts to 1,400 watts for 10 seconds. Then the microprocessor cuts the motor back to 1,000 to prevent over-heating.

Electrolux has also already pioneered timers, water-level sensors and other electronic features in dishwashers. General Electric of the US, as early as 1984, brought out a futuristic looking black glass refrigerator, with a touch-pad selector and a sensor noting when the door is open. Microwave ovens typically sport electronic controls.

Most progress, manufacturers say, has come in home laundry machines, where makers began using electronic motor controls to replace electro-mechanical gear boxes in the 1970s. The electronic gear shift proved more versatile, reliable and cost-efficient than the gear box, explains Jones of Hoover.

Early machines, with a wash cycle of 50 revolutions per minutes (rpm), used a gear box to jump to between 500 and 800 rpm for the spin cycle. Electronics made possible far greater ratios, allowing spin speeds of 1,300 rpm or more, and led the way to new functions not possible with old electro-mechanical controls.

For instance, electronic control allows the motor to build up gradually to its highest spin speed. Should a power failure occur, or a user turn off the machine during a spin, leaving the washer drum with a heavy load of wet clothes, a microprocessor will come into play: when the machine goes back on, it will cause the motor to lapse back to its prior cycle, then build up spin speed gradually.

A model coming out this spring from Hoover has an additional feature: an automatic "out-of-balance" control in which sensors detect how unbalanced a load is and direct the machine to run slower, even if that means overriding the user's instructions.

Variable water temperature control is another important feature made possible by electronics. Joint research and development by Hotpoint and Lever Brothers, makers of Persil washing powder, found that enzyme action, detergent action and bleach action all "require different temperatures to do their best work," says Samson of Hotpoint.

"With the average washing machine, you set the temperature, put the powder in and the water rises to operating temperature," he says. But, "all detergents contain different ingredients that work best at different temperatures." Hotpoint's Micro-Profile model uses microprocessors to alter water temperature during wash cycles, according to Samson.

The microprocessors needed in such washing machine applications are at the simple end of the scale: so-called four-bit devices that are far less sophisticated than, say, the 16-bit chips typical of home computers.

Such is not the case with the next wave of devices expected to enter home laundry. Manufacturers would like to introduce sensors which could measure everything from the soil level in the washer tub to the relative humidity in a tumble dryer. But, notes Samson of Hotpoint, such sensing devices are for the most part still too expensive and not rugged enough.

Such applications are "actively in development at Hoover," says chief engineer Jones. "But it's very, very difficult." The day when the user "will press one button and the machine will do the rest" is not yet in sight.

COMMODITIES AND AGRICULTURE

Paris exchange plans to launch gold futures

BY PAUL BETTS IN PARIS

THE PARIS futures market is planning to launch a gold futures contract later this year as part of the effort to develop Paris into a competitive international financial centre.

A feasibility study on the new 100-ounce gold futures contract has already been completed by the French Futures Market Commission and now awaits approval by the Treasury. However, the go-ahead is not expected to be given before the French presidential election this spring, according to Mr Bora Nisic, an international gold specialist who has recently joined Barclays France after 20 years at Louis Dreyfus.

Mr Nisic and other Paris gold analysts believe that France has a good chance of becoming the gold futures market of Europe in the unified European market of 1992. Although France has traditionally been regarded as the market of the gold ingot and the old Napoleon coin, Mr Nisic says Paris is also second only to New York in gold mine shares held in investment portfolios.

Another reason why analysts think Paris can play an increasingly pivotal role in European gold trading is the country's large idle gold stocks, including about 5,000 tonnes in private hands and a further 2,700 tonnes held by the Banque de France. These combined stocks represent about 7.7 per cent of current world gold stocks totalling about 100,000 tonnes. Moreover, Europe is an important industrial consumer of gold. Its total industrial consumption was about 380 tonnes in 1986, ahead of Japan's 342.5 tonnes and the US's 233.8 tonnes.

As a sign of the increased international interest in Paris as a gold centre, Barclays Bank and its investment banking arm Barclays de Zoete Wedd are planning to boost research and investment activities in the Paris gold market. Two weeks ago, Barclays France launched a gold unit trust fund called Or Invest, the funds of which have already doubled to FFr155m (£15.3m). That places it third in volume terms in the French gold unit trust (or Sicav) league after Dreyfus and Société Générale.

Mr Nisic expects the new French gold futures contract to be launched this autumn at the latest. The contract, inspired by the New York Comex gold futures contract, will be quoted simultaneously in French francs and in US dollars. Delivery, however, will initially be restricted to Europe.

The proposal to launch a gold futures contract in Paris reflects the growing maturity of the French financial markets, according to Mr Nisic. It is also part of the rapid modernisation of the Paris bourse during the past few years since the initial de-regulation of markets started by the former Socialist Government and accelerated during the last two years by the right-wing administration of Mr Jacques Chirac.

Although the Matif, the Paris financial futures exchange set up two years ago, has recently been rocked by the Cogema Affair in which the French state-controlled nuclear fuels company admitted it lost FFr 250m in investments in the financial futures market, analysts are confident about the long-term prospects for the French futures market. Indeed, the market has performed well in difficult conditions after the October crash and is expected to continue expanding as new products are introduced, including the new gold futures contract.

THE VENEZUELAN Government sold six tonnes of refined gold to buyers in Switzerland early last month for US $81m (£46m), according to Mr Hector Hurtado, Venezuela's Minister of Finance, writes Joe Mann in Caracas.

This followed the December sale of three tonnes for $45m, and further sales are expected.

In 1987, the Venezuelan Government began selling substantial quantities of gold mined in the mineral rich Guayana region in south-east Venezuela in order to boost foreign exchange income.

In a change of policy, it has also allowed two foreign companies (in this case British concerns) to initiate gold mining operations in Guayana.

However, the Government of Venezuela has not sold any of the gold it holds as international reserves, and there is no sign that it will offer any of this metal for sale.

According to the Central Bank of Venezuela, the country's total international currency reserves – including gold – stood at $11,791m at the end of 1987, down 8 per cent from a year earlier.

Sustained fall below $400 'unlikely', says Shearson

BY KENNETH GOODING, MINING CORRESPONDENT

THE WORST is over for the price of gold and it is unlikely to fall below $400 a troy ounce for any significant length of time this year, according to Shearson Lehman Brothers London Metals Research Unit.

Miss Rhona O'Connell, author of the unit's annual review of the world gold industry, suggests the London "fix" price will spend most of the year "trading sideways in a range based on $420."

There is the possibility of a short-lived downward spike in the price to $380, particularly if there is further news – such as another large gold loan – to disturb a generally nervous market.

However, after spending the early months under pressure, values should improve in the final quarter to give an average price of $450 for 1988, marginally above the $446.55 for last year.

Last night bullion closed at $430 an ounce, up $5 from Monday's closing price.

The Shearson forecasts assume a slowdown in economic growth and no immediate rise in inflation. Growth plus inflation could boost the gold price to a $525 peak, the review states, while a deflationary recession would send it to a low of $380.

Miss O'Connell points out that gold is subject to the normal influences of supply and demand and that since 1982 the gold market has developed a cumulative surplus of 1,200 tonnes. A further 444 tonnes surplus is expected to evolve during 1988.

"On average, the rate of growth of the excess metal available to the investment community over the past six years has been 54 per cent a year and on this basis alone the market has put up an extremely creditable performance," the review states.

Miss O'Connell says the "centre of gravity" of gold demand is moving eastwards. There is substantial demand for physical gold from Japan, Indonesia, Hong Kong and Singapore, "where they have woken up to the fact that they are extremely rich in US dollar terms".

The Far East will absorb most of the excess gold this year while the industrialised western countries will be called on to absorb between 50 tonnes and 100 tonnes, about the same as the investment requirements in the region in 1986 and last year.

Mine supply is forecast to total 1,449 tonnes this year, up from 1,362 in 1987 while demand is expected to move up from 1,253 tonnes to 1,280 tonnes, including 815 tonnes for jewellery (800 tonnes in 1987).

World Gold Industry 1988: from Shearson Lehman Brothers, 1 Broadgate, London EC2M 7HA. £150 or $300.

Oil prices take another beating

By Steven Butler

OIL PRICES yesterday took another beating following reports in Tokyo that Arabian Oil was offering discounts to Japanese buyers.

Brent oil fell 55 cents a barrel to $14.225, while contracts for April crude oil futures at the New York Mercantile Exchange were off 46 cents, approaching $15.50 a barrel during midday trading.

Arabian Oil is a production company that operates in the neutral zone between Saudi Arabia and Kuwait. It is owned 10 per cent by both Kuwait and Saudi Arabia, and 80 per cent largely by Japanese interests.

A decision to discount prices, however, would have had to be approved by both Saudi Arabia and Kuwait.

Discounting to Japan is significant because it adds a new dimension to the relatively restrained price cuts that had been practiced by a range of members of the Organisation of Petroleum Exporting Countries. It raises the possibility of another round of competitive discounting as Opec nations strive against each other to retain market shares.

Japan had been left largely outside of price cuts believed to have been offered to the US equity partners of Aramco, in Saudi Arabia and the United Arab Emirates had made something of a spectacle in Tokyo by publicly refusing to sell below the official $18 per barrel Opec reference price.

LME chief mounts secret nickel inquiry

BY KENNETH GOODING

THE LONDON Metal Exchange's chief executive Mr Michael Brown is carrying out an inquiry to ensure that the LME's nickel contract is not being manipulated.

This follows the recent steep rise in the price of nickel apparently caused by supply shortages.

Mr Brown stressed there was so far no evidence of any manipulation and that his inquiry was "just constructive policing and making certain everything is neat and tidy."

Letters have gone out to 38 LME members asking for details of all their contracts which mature by the end of March. Mr Brown also wants to know about the ownership of the 1,992 tonnes of nickel held in LME warehouses.

He said the information was "extremely confidential and delicate" and he would keep it entirely to himself – not even the LME board chairman would see the results unless they indicated that an undesirable situation had arisen.

Mr Brown said he very much regretted one of the LME members had "leaked" details of his letter to a Reuters correspondent and he insisted that the LME would not be giving any indication of the results.

Cash nickel prices fell back to $10,150 a tonne yesterday, down $1,600 from Monday's level but the price for metal to be delivered in three months rose again by another $90 to a record $9,125.

The LME decided yesterday not to make a change in the delivery specification of nickel because the cash price eased back and some lenders appeared.

● Inco, the world's leading nickel producer, yesterday revealed that its European Charge Nickel Price for the second quarter of 1988 had been set at $2.915 a lb, up from $2.65 for the first-quarter.

At recent exchange rates this equates to 5.20 Ecus (European Currency Units) a kilogramme of nickel compared with 4.74 Ecus for the first quarter.

The IECNP was first set by Inco at the start of 1987, in response to customers' requests, as a way of reducing short-term price volatility in nickel.

Cadmium supply problem sparks fresh price rise

THE PRICE of cadmium ingots sparked to life again yesterday on news that a major producer, Industrial Minera Mexico (IMM), was having supply problems because of a wages strike. IMM has sent letters to some customers for zinc and sulphuric acid as well as cadmium declaring force majeure, writes Kenneth Gooding.

Cadmium rose by 15 cents from an already-high base to $7 a lb in free market trading. The price reached a record $7.40 briefly on February 16 – compared with $1 nine months ago – and has stayed near that level ever since.

The metal's fortunes have been completely changed by the success of nickel-cadmium rechargeable batteries.

Traders suggested yesterday that IMM produces between 600 and 700 tonnes of cadmium a year and is a large supplier to the free market in New York.

Its troubles follow those of Hudson Bay Mining, which also produces cadmium as a by-product of zinc and has cut zinc output to between 55 and 85 per cent of the expected level because of a structural failure at its Flin Flon facility in Manitoba.

The cadmium price in the table below is the Metal Bulletin price as of last Friday, which is widely used in contract pricing.

New Zealand goat farming industry comes of age

BY DAI HAYWARD IN WELLINGTON

FOR MANY years wild goats were officially regarded as vermin in New Zealand and huge numbers were hunted and shot by professional hunters hired by farmers.

Today many of those same farmers are breeding and raising goats commercially – some using feral goats as the basis for their original stock.

There are now 1m goats being farmed in New Zealand. Just four years ago there were only 40,000, which had risen by 1985 to 239,000.

Selective breeding and the introduction of high quality bucks and does has rapidly lifted the quality of the national domesticated goat herd. Last year, in spite of receiving lower prices for breeding stock and mohair fibres, New Zealand goat farmers doubled their income from the 1986 level.

Production of cashgora, the new potentially highly lucrative fibre produced from crossing carefully selected cashmere bucks with angora does, increased by 147 per cent to earn half of the NZ $7.75m (£2.9m) export receipts for goat fibre. Cashmere fibre production was up 120 per cent and mohair 80 per cent.

Goat farming in New Zealand is now moving rapidly from the era of speculative "get rich quick" operations where only three years ago stud bucks sold for NZ $140,000 to a more realistic fibre-producing farming operation.

Goat production has now become an important branch of farming with many sheep and cattle farmers allocating part of their pasture for goats.

Mr Derek Quigley, a former Cabinet Minister who is now involved in a commercial goat farming operation, predicts that in the near future NZ will have 10m cashmere goats reared for fibre production. These could provide export receipts of NZ $250m from mohair fibre alone. Mr Quigley's prediction was based on reports that just one large Scottish mill said it could buy 1.000 tonnes of angora fibre a year from New Zealand and Australia.

All involved with the goat industry are convinced the boom is yet to come. Although the average return from all goat fibre exports dropped 1.7 per cent to average NZ $16.02 a kg, receipts for some grades – particularly cashmere fibre – increased dramatically.

Cashmere prices, boosted by a world-wide shortage, were up 25 per cent. All of New Zealand's cashgora exports were shipped to two companies in the UK and Switzerland which have signed five-year contracts to buy all the country's production at a guaranteed price.

Because prices are set in New Zealand dollars, cashgora export receipts were not affected by the weakening of the US dollar which caused a drop in prices paid for mohair fibre.

Mr David Brown, president of the New Zealand Mohair Producers' Association, predicts that farmers will not be able to produce enough cashmere fibre to meet demand this year and that prices will rise even further as a result.

The goat farming industry has imported cashmere breeding stock from Australia to improve the quality of NZ flocks and also launched an extensive artificial insemination programme. It is claimed that New Zealand now leads the world in mass producing high quality goats. The technique of embryo transfer is widely used.

This involves implanting the embryo from a thoroughbred goat into a feral goat which acts as surrogate mother. The number of embryos can be multiplied so that one high-quality goat can produce many better quality kids. One limiting factor at present is the shortage of top quality does to provide the embryos.

Use of embryo transfer and artificial insemination can telescope the breeding programme required to lift the quality of a flock from the normal seven years to only two or three years. This makes the economics of goat breeding for fibre production much more viable.

The results and financial returns of goat farmers in 1987 certainly converted many previous sceptics. Some now predict that New Zealand's cashmere production will overtake Australia's within two years.

New Zealand has utilised its wool marketing expertise to establish high standards for the production and marketing of New Zealand goat fibre. Expert grading of various fibres and establishment of new classes of fibre specifically to meet the requirements of individual buyers has helped to boost returns.

International buyers now accept New Zealand goat fibre on a sight unseen basis, thus reducing production costs. This has helped to give New Zealand producers better prices than competitors in other countries receive for comparable fibres.

The Mohair Producers' Association has recently completed a study of more than 100 commercial goat farms. This showed that goat farming offered better financial returns compared with other types of livestock.

One farmer, who introduced goat farming into his operations with considerable reservations, reported a return on capital of 180 per cent, with each animal providing a profit of $45. That was higher than from his other farm operations.

Another large goat farming operation which has used embryo transplantation extensively to improve the production and quality of its fibre has one two-year-old cashmere buck which last year produced 1,170 grammes of fibre at a yield of 74 per cent. This included 866 grammes of down. This compares with the national average production of between 200 and 300 grammes of down per animal.

The bulk of New Zealand's mohair production goes to Britain, France and Italy. The 1988 production of cashmere fibre is expected to be around 80 tonnes. Production of mohair will be between 380 or 400 tonnes, while about 50 tonnes of the new cashgora fibre is expected to be shorn.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,270-2,300 (2,260-2,300).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 5.50-5.70 (5.40-5.70).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 6.40-6.90 (6.50-7.00), sticks 6.40-6.90 (6.50-7.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.80-7.00 (6.85-7.05).

MERCURY: European free market, min 99.99 per cent, $ per 76 lb flask, in warehouse, 288-310 (295-310).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.25 (3.18-3.23).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 10.40-10.80 (same0).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit (10 kgs) WO, cif, 50-58 (49-58).

VANADIUM: European free market, min 98 per cent, VO, cif, 2.90-2.98 (2.85-2.95).

URANIUM: Nuexco exchange value, $ per lb, UO, 16.30 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE PRICES, which had recovered from opening lows by mid-day, fell back in afternoon trading to close at session lows. The three-month robusta contract lost £19 a tonne, ending at £1,218 a tonne following profit-taking which dealers said was accentuated by sterling's steady tone against the dollar and a featureless physical market. Cocoa prices rallied from earlier lows, and closed £5 a tonne up at £1,002 a tonne – not far short of session highs. Shortcovering and price fixing aided the rally, which reflected a similar upturn in New York as well as providing a small technical correction to an oversold situation, dealers said. Platinum prices touched $483 an ounce shortly after Nymex opened, ending the day at $478.50 in the London bullion market – $25 ahead of Monday's close.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.75-3.79y	-0.41
Brent Blend	$14.15-4.30z	-0.55
W.T.I.(1 pm est)	$15.60-5.65y	-0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-175	-0.50
Gas Oil (Soviet)	$129-130	-2.00
Heavy Fuel Oil	$66-68	-2.00
Naphtha	$141-143	-4.00
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$430.00	+5
Silver (per troy oz)♣	629c	+16
Platinum (per troy oz)	$478.50	+25
Palladium (per troy oz)	$120.00	+1
Aluminium (free market)	$2335	-10
Copper (US Producer)	87¾-89¼c	-6.00
Lead (US Producer)	35.50c	
Nickel (free market)	500c	-50
Tin (European free market)	£3890	+5
Tin (Kuala Lumpur market)	17.49r	+0.01
Tin (New York)	319.75c	
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	107.94p	+1.46*
Sheep (dead weight)†	165.47p	+16.77*
Pigs (live weight)†	67.93p	+3.20*
London daily sugar (raw)	$213.40x	+8.40
London daily sugar (white)	$230.00x	+5.00
Tate and Lyle export price	£227.50	+5.50
Barley (English feed)	£109.00	
Maize (US No. 3 yellow)	£135.00	-0.50
Wheat (US Dark Northern)	£98.00	-0.50
Rubber (spot)♥	63.75p	+0.25
Rubber (Apr) ♥	68.00p	-0.50
Rubber (May) ♥	67.75p	-0.50
Rubber (KL RSS No 1 Mar)	287.00my	
Coconut oil (Philippines)§	$535.00x	
Palm Oil (Malaysian)§	$380.00x	
Copra (Philippines)§	$365.00x	
Soyabeans (US)	£159.00x	
Cotton "A" index	66.35c	-0.10
Wooltops (64s Super)	578p	

COCOA £/tonne

	Close	Previous	High/Low	
Mar	978	969	979	966
May	1002	997	1004	989
Jly	1022	1017	1025	1010
Sep	1043	1035	1045	1034
Dec	1069	1062	1071	1059
Mar	1088	1090	1099	1088
May	1119	1110	1118	1109

Turnover:5886 (6123) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 1 : 1269.62 (1260.08) .10 day average for March 2 : 1309.50 (1316.54).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1185	1201	1196	1182
May	1218	1237	1232	1215
Jly	1241	1262	1253	1240
Sep	1259	1280	1272	1257
Nov	1285	1305	1297	1285
Jan	1309	1328	1320	1310
Mar	1335	1350	1337	

Turnover 8051 (6683) lots of 5 tonnes
ICO indicator prices (US cents per pound) for February 29 Comp. daily 1979 119.37 (121.83); 15 day average 121.82 (121.83).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	181.00	178.00	182.20	178.00
Aug	180.00	178.00	180.60	178.80
Oct	180.00	178.00	181.40	178.60
Dec	181.00	178.00		
Mar	183.00	181.00	184.20	182.00
May	185.00	184.00		
White	**Close**	**Previous**	**High/Low**	
May	226.50	223.50	227.50	225.00
Aug	227.00	224.50	227.50	226.50
Oct	227.70	224.50	227.00	224.50
Dec	227.70	224.00	225.50	
Mar	228.50	225.20		
May	229.50	225.00		

Turnover: Raw 4441 (4789) lots of 50 tonnes; White 742 (932).
Paris- White (FFr per tonne): May 1290, Aug 1300, Oct 1295, Dec 1290, Mar 1315, May 1320

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	127.25	130.00	128.50	126.75
Apr	126.50	129.50	128.25	126.00
May	125.50	129.25	127.25	125.50
Jun	127.00	130.75	128.75	126.50
Jul	127.25	130.00	128.75	127.00

Turnover. 4960 (3756) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	105.45	105.25	105.50	105.25
May	108.40	108.50	108.75	108.15
Jly	111.20	111.50	111.75	111.15
Sep	101.50	101.60	101.60	101.50
Nov	103.40	103.60	103.70	103.40
Jan	105.90	106.00	106.15	105.90
Mar	108.05	108.10	108.05	
Barley	**Close**	**Previous**	**High/Low**	
Mar	103.40	104.10	104.20	103.30

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2320-40	2330-40		2330-45		
3 months	2155-65	2150-60		2160-80	2160-80	3,446 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 19,925 tonne
Cash	1305-6	1302-4	1313	1312-3		
3 months	1204-5	1202-4	1212/1201	1208-9	1202-3	46,284 lots
Copper, Grade A (£ per tonne)						Ring turnover 39,250 tonne
Cash	1220-2	1175-80	1220/1215	1215-7		
3 months	1161-2	1124-5	1172/1145	1158-9	1167-8	70,508 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1170-80	1130-40		1170-5		
3 months	1135-45	1100-10		1130-40		28 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	621-4	610-2		618-20		
3 months	631-4	620-2		627-30	635-40	649 lots
Lead (£ per tonne)						Ring turnover 7,875 tonne
Cash	368-9	367.5-8	370/368	367-8		
3 months	344-5	347-8	348/344	344-5	345-6	10,373 lots
Nickel ($ per tonne)						Ring turnover 1,980 tonne
Cash	10100-200	11500-1200	11000/10500	10500-11000		
3 months	9120-30	9030-40	9195/9120	9190-200	9110-30	9,307 lots
Zinc (£ per tonne)						Ring turnover 6,575 tonne
Cash	503-4	508.5-7	506/503.5	503.5-4		
3 months	506-7	508-8.25	508/505	505-6	504-5	12,009 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Mar	79.30	80.30	80.00	79.00
Apr	137.50	141.50	142.50	137.30
May	153.50	156.60	156.80	153.20
Nov	93.80	93.50	94.50	
Feb	104.00	103.40		
Apr	141.50	142.20	142.00	

Turnover: 688 (323) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	130.50	128.90	130.00	129.50
Jun	127.00	125.20	127.00	126.50
Aug	126.20	124.00	126.00	125.50
Oct	127.50	125.50	127.00	
Dec	131.00	129.00		

Turnover: 369 (-) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1564.0	1570.0	1569.0	1560.0
Jly	1398.0	1403.0	1405.0	1384.0
Oct	1407.5	1407.0	1407.5	1395.0
Jan	1380.0	1395.0	1380.0	1380.0
BFI	1562.5	1563.5	1562.5	

Turnover. 140 (110)

COTTON
Liverpool- Spot and shipment sales for the week ending February 26 amounted to 1059 tonnes against 335 tonnes in the previous week. Moderate trading occured with support

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	429¾-430¼	242-242½
Opening	431½-432	243½-244
Morning fix	429.15	242.184
Afternoon fix	429.30	241.986
Day's high	431½-432	
Day's low	428¼-428¾	
Coins	**$ price**	**£ equivalent**
US Eagle	442-447	248½-251½
Mapleleaf	442-447	248½-251½
Britannia	442-447	248½-251½
Krugerrand	429-432	241½-243½
1/2 Krug	222-231	124¾-130
1/4 Krug	111-119	62½-67
Angel	440-445	247½-250¼
1/10 Angel	44-49	24¾-27½
New Sov.	101-102	56¾-57½
Old Sov.	101-102½	56¾-57¾
Noble Plat	483-489½	272¼-276¼

Silver fix	p/fine oz	US cts equiv
Spot	350.15	620.80
3 months	356.20	631.20
6 months	366.95	642.40
12 months	384.30	665.50

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1950	276	227	45	102
2100	179	152	86	174
2250	106	98	174	266
Aluminium (99.5%)	**Calls**		**Puts**	

US MARKETS

ENERGY FUTURES EASED as commission house selling touched-off sell stops in the face of scale-down trade and local buying, reports Drexel Burnham Lambert. Gold finished steady on trade and commission house buying, while platinum closed roughly unchanged, steadying from earlier weakness mirroring the action in gold. Silver, on the other hand, reacted to yesterday's strength as trade and commission house selling eased prices before a late short-covering rally pared losses. Coffee was on the defensive for most of the session on stale long-liquidation and speculative selling. Sugar firmed following the expiry of the March contract but held in a narrow range on trade and commission house activity. Cocoa rallied after earlier commission house selling was well, absorbed by industry buying as short-covering emerged. Cattle futures were erratic, opening lower but rallying on professional and local buying despite negative fundamentals. Live hogs were firm in anticipation of higher cash values, while pork bellies eased in line with fundamentals.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	431.0	430.5	432.0	427.5
Apr	432.4	431.9	433.0	425.9
Jun	436.4	435.8	437.0	430.9
Aug	440.6	440.0	440.5	433.8
Oct	445.0	444.4	444.8	438.2
Dec	449.4	448.8	450.0	443.0
Feb	453.9	453.3	453.0	452.0
Apr	458.7	458.1	464.0	454.0
Jun	463.7	463.1	461.5	461.1

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	474.7	475.0	0	0
Apr	474.7	475.0	484.5	463.5
Jul	477.7	478.5	488.0	469.7
Oct	481.7	482.5	489.0	473.0
Jan	487.2	487.5	493.4	493.4
Apr	492.7	493.0	502.6	499.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	622.2	623.9	634.9	616.0
Apr	626.1	628.1	0	0
May	630.0	632.0	642.0	624.0
Jul	637.8	639.8	650.8	632.0
Sep	645.4	647.4	653.5	640.0
Dec	658.0	660.0	666.0	654.0
Jan	661.7	663.7	0	0
Mar	670.7	672.7	674.5	669.0
May	679.6	681.6	0	0
Jul	689.2	691.2	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	93.10	90.80	93.80	92.20
Apr	90.70	88.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	15.68	16.01	15.85	15.55
May	15.64	15.93	15.79	15.48
Jun	15.53	15.87	15.75	15.43
Jul	15.53	15.81	15.67	15.39
Aug	15.48	15.75	15.60	15.38
Sep	15.41	15.69	15.56	15.35
Oct	15.35	15.64	15.51	15.35
Nov	15.35	15.59	15.50	15.35
Dec	15.30	15.55	15.50	15.30
Jan	15.42	15.51	15.55	15.41

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	43.30	44.51	44.00	42.95
May	41.90	43.02	42.60	41.50
Jul	41.25	42.10	41.80	41.00
Aug	41.80	42.55	42.40	41.60
Sep	42.30	43.20	43.00	42.00
Oct	43.50	43.85	43.50	43.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1598	1584	1598	1577
May	1636	1621	1638	1605
Jul	1666	1653	1668	1640
Sep	1698	1684	1699	1675
Dec	1734	1721	1736	1713
Mar	1768	1750	1769	1755
May	1790	1778	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	133.45	133.50	135.75	132.80
May	135.10	135.31	136.90	134.65
Jul	137.01	137.27	138.80	136.10
Sep	138.90	139.16	140.65	137.70
Dec	141.40	141.50	142.25	140.75
Mar	141.88	142.75	143.15	142.00
May	142.00	142.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.07	7.91	8.12	7.97
Jul	7.97	7.85	8.06	7.92
Oct	7.98	7.82	8.03	7.92
Jan	8.23	7.93	0	0
Mar	8.17	8.05	8.23	8.09
May	8.28	8.20	0	0
Jul	8.40	8.25	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	61.05	60.65	62.10	60.80
May	61.70	61.28	61.85	61.28
Jul	61.05	60.75	61.25	60.75
Oct	59.00	58.75	59.30	58.90
Dec	57.80	57.58	58.05	57.70
Mar	58.55	58.38	58.55	58.55
May	59.05	58.90	59.05	59.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	168.30	166.75	169.00	167.80
May	160.85	159.00	161.50	159.70
Jul	157.55	156.70	158.10	157.10
Sep	155.55	155.50	156.50	155.75
Nov	153.45	153.50	154.50	154.50
Jan	151.00	150.00	151.00	151.00
Mar	151.50	150.60	151.80	151.50
May	151.50	150.50	0	0

INDICES

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	635/0	636/0	637/0	633/2
May	641/4	642/4	644/0	639/4
Jul	650/2	649/2	652/0	647/2
Aug	651/6	650/4	654/0	649/0
Sep	650/4	652/4	654/0	649/0
Nov	659/2	660/2	662/4	657/0
Jan	667/0	667/4	669/0	665/0
Mar	675/0	673/4	675/4	672/4
May	679/0	677/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.98	21.15	21.15	20.88
May	21.29	21.57	21.50	21.22
Jul	21.59	21.86	21.84	21.56
Aug	21.70	21.97	21.93	21.68
Sep	21.75	21.90	21.95	21.75
Oct	21.85	22.00	22.00	21.85
Dec	21.91	22.34	22.18	21.90
Jan	21.95	22.00	22.15	21.95
Mar	22.05	0	22.10	22.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	190.6	189.6	190.8	188.9
May	189.4	188.6	189.8	188.0
Jul	190.1	188.7	190.5	188.3
Aug	190.9	189.0	191.0	189.5
Sep	191.7	190.0	192.0	190.0
Oct	193.0	191.5	193.0	191.5
Dec	194.8	194.5	196.0	193.0
Jan	196.0	194.5	196.0	194.0
Mar	198.0	194.2	198.0	196.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	203/6	203/6	205/0	203/2
May	209/2	209/2	210/2	208/4
Jul	213/4	213/4	214/4	212/6
Sep	215/4	216/0	217/0	215/4
Dec	219/2	219/6	220/2	218/4
Mar	226/2	227/0	227/0	225/4
May	230/0	230/4	230/4	230/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	311/0	315/4	315/4	310/2
May	318/4	323/4	324/2	318/0
Jul	323/4	328/2	329/0	323/0
Sep	328/6	334/0	334/6	328/4
Dec	340/2	344/6	344/6	340/0
Mar	344/6	350/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	71.86	71.50	72.55	71.15
Jun	68.92	68.40	68.55	68.20
Aug	66.95	66.55	67.47	66.35
Oct	65.65	65.22	66.12	65.10
Dec	66.05	65.60	66.80	65.90
Feb	66.00	0	66.50	66.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	43.47	43.25	43.60	43.00
Jun	47.05	46.65	47.40	46.50
Jul	46.90	46.55	47.17	46.50
Aug	45.42	45.22	45.90	45.35
Oct	42.00	41.90	42.32	41.70
Dec	42.50	42.40		

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades in narrow range

THERE WAS little to stir currency traders from their mood of apathy in yesterday's foreign exchange market. The absence of any fresh impetus meant that the dollar's recent narrow trading range remained intact.

US data released yesterday effectively destroyed any short term hopes of establishing a definite trend. Analysts had pointed out that a fall in US leading economic indicators in January would have provided the third consecutive decline, thus raising the question of an economic recession in six to nine months time. However, although January's figure exceeded projections of a 0.4 p.c. decline by falling 0.6 p.c., the December figure was revised upwards to show a rise of 0.3 p.c. compared with a previous estimated fall of 0.2 p.c. The November figure was also adjusted, this time to a 1.1 p.c. decline from 1.2 p.c. reported earlier.

US construction spending fell by 2.9 p.c. in January, while the revised December figure showed a 0.4 p.c. rise compared with a 0.4 p.c. fall announced earlier.

The net effect on the dollar was broadly neutral, and after a slightly firmer opening, it eased back to finish on or just below Monday's closing levels.

The dollar closed at DM1.6850 from DM1.6880 and Y128.25 compared with Y128.35. Elsewhere it slipped to FFr5.7050 from FFr5.7175 and was unchanged against the Swiss franc at SFr1.3915. On Bank of England figures, the dollar's exchange rate index fell from 94.5 to 94.3.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. February average 1.7580. Exchange rate index 74.8 against 74.7 at the opening and on Monday. The six months ago figure was 72.8.

Sterling showed very little change. Its index was steady throughout the day, until edging up just 0.1 at the close. This was largely due to a late improvement against the dollar. The pound's ability to improve elsewhere was severely restricted by its proximity to the DM3.00 level against the D-Mark, an upper level likely to be strongly held by the Bank of England.

The pound rose to $1.7780 from $1.7735 and DM2.9950 compared with DM2.9925. It was also higher against the yen at Y228.0 from Y227.75. Elsewhere it closed at FFr10.1425 from FFr10.14 and SFr2.4750 from SFr2.4675.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.3 against 146.7 six months ago.

Trading in Frankfurt saw the dollar confined to a narrow range. Turnover was relatively low, as investors found little reason to push the dollar either way. The release of US economic data failed to provide any fresh stimulus and some dealers were already pointing towards the next set of US trade figures, not due until March 17, as being the next factor likely to generate any real activity.

The dollar closed at DM1.6875, unchanged from its close on Monday and little changed from the fixing level of DM1.6895.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.85. February average 129.17. Exchange rate index 240.2 against 224.4 six months ago.

Early trading saw the dollar continue the weaker tone already set in New York but only for a short while. Bargain hunters soon pushed the US unit firmer but once again there was insufficient impetus to break out of the recent trading range. The dollar closed at Y128.65, up from Y128.25 in Tokyo on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1080	+1.53	+0.90	±1.5344
Danish Krone	7.85212	7.96612	+1.45	+0.25	±1.6404
German D-Mark	2.05853	2.06084	+0.11	-0.52	±1.0981
French Franc	6.90403	6.97575	+1.04	+0.48	±1.3674
Dutch Guilder	2.31943	2.31450	-0.01	-0.62	±1.5012
Irish Punt	0.768411	0.774466	+0.80	-0.03	±1.6684
Italian Lira	1483.58	1523.80	+2.67	+2.28	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 1	Latest	Previous Close
£ Spot	1.7780-1.7770	1.7730-1.7740
1 month	0.38-0.35pm	0.38-0.37pm
3 months	1.13-1.09pm	1.13-1.11pm
12 months	4.10-4.00pm	4.10-4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar 1	Previous
8.30 am	74.7	74.7
9.00 am	74.7	74.7
10.00 am	74.7	74.7
11.00 am	74.7	74.7
Noon	74.7	74.6
1.00 pm	74.7	74.6
2.00 pm	74.7	74.6
3.00 pm	74.7	74.6
4.00 pm	74.8	74.7

CURRENCY RATES

Mar 1	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for Feb.29

CURRENCY MOVEMENTS

Mar 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.8	-18.8
U.S. Dollar	94.3	-12.3
Canadian Dollar	80.2	-6.9
Austrian Schilling	140.4	+10.8
Belgian Franc	100.6	-4.6
Danish Krone	93.6	+2.7
Deutsche Mark	149.3	+22.9
Swiss Franc	174.4	+21.4
Guilder	138.0	+17.4
French Franc	71.7	-13.4
Lira	47.0	-19.0
Yen	240.2	+97.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)*. Rates are for Feb.29.

OTHER CURRENCIES

Mar 1	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Mar 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is convertible francs. Financial franc 62.80-62.90. Six-month forward dollar 2.27-2.22pm 12 month 4.20-4.10pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.30-35.40.

EURO-CURRENCY INTEREST RATES

Mar 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 7⅞-7⅝ per cent; three years 8⅛-8 per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and bonds little changed

A RATHER dull day on the London futures market ended with long term gilts and US Treasury bonds little changed.

June delivery long gilt futures opened firmer at 122-08 on Liffe, underpinned by the strength of sterling on the foreign exchanges. The market also looked to the shortage of stock in the cash market, and to a steady performance by US Treasury bonds, but there were no fresh factors to influence trading.

The contract touched a peak of 122-19, before falling back to close at 122-09, compared with 122-06 on Monday.

June US Treasury bond futures opened weaker at 93-29, and touched 94-12 on an unexpectedly large fall of 0.6 p.c. in January US leading indicators. This was cancelled out however by the revision to the December figure to a rise of 0.3 p.c., compared with a previously reported fall of 0.2 p.c.

Mr Rupert Thompson, international economist at Morgan Grenfell, pointed out that the December revision meant there were not falls in leading indicators for three consecutive months.

Some economists believe that falls in this series for three consecutive months indicate the beginning of a recession, but Mr Thompson said that too much should not be read into the figures, which have "an appalling track record" in recent years, as far as forecasting economic trends.

He was more concerned with the fall of 2.9 p.c. in January US construction spending, which is big enough to be worth noting, although the impact on financial markets was strictly limited yesterday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2744 Puts 2486. Previous day's open int. Calls 24443 Puts 12328

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 189 Puts 60. Previous day's open int. Calls 767 Puts 293

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 23 Puts 72

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 336 Puts 657

LIFFE EURODOLLAR OPTIONS

$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 170 Puts 100. Previous day's open int. Calls 2658 Puts 1471

LIFFE SHORT STERLING

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 220 Puts 410. Previous day's open int. Calls 7678 Puts 4868

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

Previous day's open int. Calls 431,684 Puts 443,833. Previous day's volume: Calls 15,391 Puts 8,547

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls	Puts
[illegible]	[illegible]	[illegible]

Estimated volume total, Calls N/A Puts N/A. Previous day's open int. Calls 309 Puts 566

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%; 7-15 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%; THREE MONTH STERLING £500,000 points of 100%; FT-SE 100 INDEX £25 per full index point; THREE MONTH EURODOLLAR $1m points of 100%; US TREASURY BONDS 8% $100,000 32nds of 100%; CURRENCY FUTURES; POUND-$ (FOREIGN EXCHANGE); IMM-STERLING $e per £

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Mar	267.75	268.10	267.30	267.30
Jun	269.25	269.80	268.75	268.75
Sep	270.50	270.70	270.20	270.15
Dec	271.80	271.80	-	271.35

MONEY MARKETS

A softer tone

INTEREST RATES had a slightly softer tone on the London money market yesterday, as the impact of Monday's disappointing UK trade figures for January wore off, without leaving any lasting impression. Dealers remained in doubt about the reasons for the record deficit.

Three-month interbank eased to 9⅛-9¼ p.c. from 9⅜-9¼ p.c., and twelve month to 9¼-9⅛ p.c. from 9⅜-9⅜ p.c.

Trading was dull, with the market expecting no pressure for a change in UK bank base rates ahead of the Budget on March 15.

UK clearing bank base lending rate 9 per cent from February 2

The Bank of England initially forecast a money market shortage of £300m, but revised this to £250m in the afternoon. Total help of £231m was provided.

Before lunch the authorities bought £58m bills, by way of £4m bank bills in band 3 at 8⅞ p.c., and £49m bank bills in band 4 at 8⅞ p.c.

In the afternoon the Bank of England purchased another £228m bills, through £11m local authority bills in band 1 at 8⅞ p.c.; £128m bank bills in band 1 at 8⅞ p.c.; and £89m bank bills in band 4 at 8⅞ p.c. Late assistance of £50m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £391m, with Exchequer transactions absorbing £26m. These outweighed a fall in the note circulation adding £50m to liquidity, and bank balances above target of £70m.

In New York the US Federal Reserve injected liquidity into the banking system through $1.5bn in customer repurchase agreements, when Federal Funds were trading at 6⅝ p.c.

In Frankfurt call money rose to 3.25 p.c. from 3.10 p.c. as banks bid for funds at the beginning of the month. There was no reaction to the Bundesbank's offer of a 35-day securities repurchase agreement tender at a fixed rate of 3.25 p.c. Bids were made yesterday, and the result will be announced today. Dealers generally expect the central bank to replace the DM9.7bn draining from the market today.

In Brussels the Belgian National Bank cut the interest rate rates on one-month; two-month; and three-month Treasury certificates by 0.05 p.c.

In Amsterdam the Dutch Central Bank added liquidity to the money market. The central bank accepted bids of Fl 4.95bn at yesterday's tender for 14-day special advances, at an unchanged rate of 4 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 1) 3 months US dollars		6 months US Dollars	
bid 6¾	offer 6⅞	bid 6⅞	offer 6⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

Mar 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$420	23	23	-	-	-	-	$430.50
GOLD C	$440	124	13 A	-	-	-	-	$430.50
GOLD C	$460	127	5.60	126	13.50	23	22	$430.50
GOLD C	$480	22	2.80	-	-	-	-	$430.50
GOLD C	$500	105	1.50	-	-	-	-	$430.50
GOLD P	$400	21	4.50	44	8	-	-	$430.50
GOLD P	$420	96	8	277	13.30	13	15	$430.50
GOLD P	$460	32	30	10	31 A	2	31 A	$430.50
GOLD P	$480	101	50	-	-	-	-	$430.50
		Mch. 88		Apr. 88		May 88		
EOE Index C	Fl. 175	20	20.50	10	21.50	-	-	Fl. 195.64
EOE Index C	Fl. 185	30	11.50 B	-	-	5	16	Fl. 195.64
EOE Index C	Fl. 190	53	7.20	36	10.80	10	14	Fl. 195.64
EOE Index C	Fl. 195	518	4.70	82	8.20	13	10	Fl. 195.64
EOE Index P	Fl. 170	-	-	98	1.30	-	-	Fl. 195.64
EOE Index P	Fl. 180	79	0.60	65	3	-	-	Fl. 195.64
EOE Index P	Fl. 185	182	1.40	69	4.10	13	7	Fl. 195.64
EOE Index P	Fl. 190	165	2.80	116	6.10	17	9	Fl. 195.64
EOE Index P	Fl. 195	388	4.50	193	7.80	71	11.20	Fl. 195.64
S/Fl C	Fl. 190	14	1.50	37	2.50	-	-	Fl. 189.52
S/Fl C	Fl. 195	36	0.35	-	-	-	-	Fl. 189.52
S/Fl P	Fl. 185	520	0.80	-	-	-	-	Fl. 189.52
S/Fl P	Fl. 190	610	2	50	3.30	-	-	Fl. 189.52
S/Fl P	Fl. 195	62	6.10	-	-	-	-	Fl. 189.52
S/Fl P	Fl. 205	45	15.90	-	-	-	-	Fl. 189.52
S/Fl P	Fl. 220	30	30.80	-	-	-	-	Fl. 189.52
S/Fl P	Fl. 225	20	35.80	-	-	-	-	Fl. 189.52
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	402	1.50	151	2.40	24	2.70 A	Fl. 40.20
ABN P	Fl. 40	114	1.30	6	2.80	-	-	Fl. 40.20
AEGON C	Fl. 70	40	1.60	55	3.20	5	4.50	Fl. 68.50
AEGON P	Fl. 65	250	1.40 B	3	3.50	250	4.80	Fl. 68.50
AHOLD C	Fl. 75	147	3	30	5.20	-	-	Fl. 75.30
AHOLD P	Fl. 75	102	2.50	-	-	-	-	Fl. 75.30
AKZO C	Fl. 100	1247	7.70	385	9.20 B	28	11.80	Fl. 104.50
AKZO P	Fl. 100	330	2.70	207	7.50	29	9.10	Fl. 104.50
AMEV C	Fl. 45	73	1.80	30	3	-	-	Fl. 44.60
AMRO C	Fl. 65	517	2.20	89	3	9	3.50	Fl. 65.20
AMRO P	Fl. 65	39	2	108	4.10	-	-	Fl. 65.20
ELSEVIER C	Fl. 50	133	1.90	50	2.90	-	-	Fl. 48.30
GIST-BROC. C	Fl. 30	200	2.30	96	3.10	25	3.50	Fl. 30.80
GIST-BROC. P	Fl. 27.50	120	0.80	4	1.50	1	3	Fl. 30.80
HEINEKEN C	Fl. 120	173	7	17	10	5	11.50	Fl. 122.20
HEINEKEN P	Fl. 120	26	4.60 A	16	8.50	-	-	Fl. 122.20
HOOGOVENS C	Fl. 30	277	2.70	40	3.80 A	5	5	Fl. 30.80
HOOGOVENS P	Fl. 30	3	1.50	57	2.80	-	-	Fl. 30.80
KLM C	Fl. 35	686	1.20	153	2.70	33	3.30	Fl. 34.20
KLM P	Fl. 35	66	2	12	3	40	4.40	Fl. 34.20
NEDLLOYD C	Fl. 200	204	8	20	15.30	-	-	Fl. 193.50
NEDLLOYD P	Fl. 170	161	4.50	-	-	1	19	Fl. 193.50
NAT.NED. C	Fl. 60	1967	1.50	140	2.60	10	3.50	Fl. 58.30
NAT.NED. P	Fl. 60	25	3	-	-	-	-	Fl. 58.30
PHILIPS C	Fl. 25	327	2.30	26	2.60	8	3.50	Fl. 27.20
PHILIPS P	Fl. 25	19	0.80	84	1.90	3	2.30	Fl. 27.20
ROYAL DUTCH C	Fl. 220	320	4.70	58	6.70	7	9.50	Fl. 215.20
ROYAL DUTCH P	Fl. 210	109	3.40	103	10.20	12	14.50	Fl. 215.20
ROBECO C	Fl. 90	1007	2.50	17	4	62	5	Fl. 90.70
ROBECO P	Fl. 95	30	5	-	-	-	-	Fl. 90.70
UNILEVER C	Fl. 120	954	2.40	377	4.80 B	27	7	Fl. 114.80
UNILEVER P	Fl. 110	97	2.90	195	7	23	9	Fl. 114.80

TOTAL VOLUME IN CONTRACTS : 40,077

A=Ask B=Bid C=Call P=Put

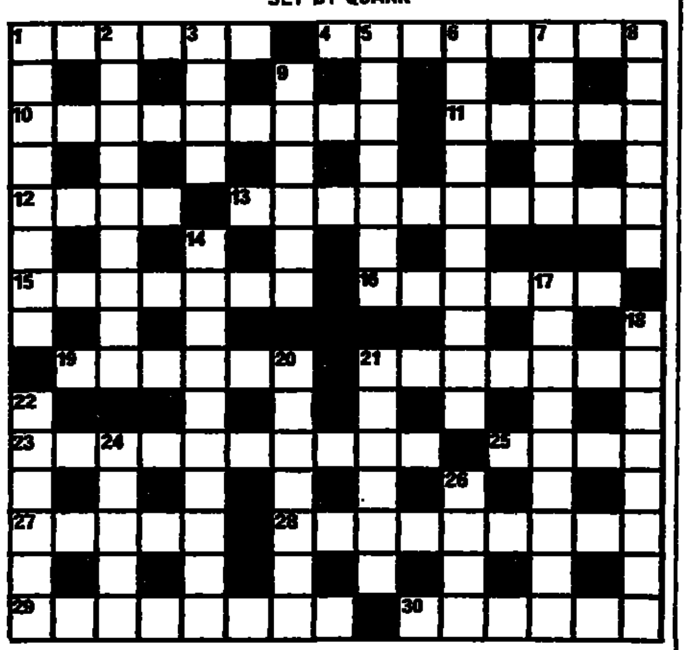
BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk N.East	9	Norwich Gen. Trust	9
American Exp.Bk	9	Consolidated Cred	9	PK Finans. Int(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	‡10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Bnkg Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.75% - 10%

FT CROSSWORD No.6,570

SET BY QUARK



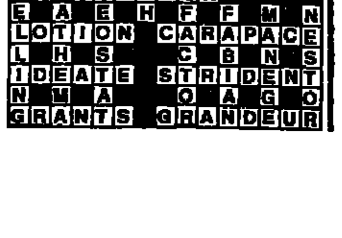
ACROSS

1 Pleasure craft needing exercises with variable load (6)
4 Killer – a beast with a t-transgression (8)
10 Twig this is not the central post office? (3-6)
11 Time to trim the fish (5)
12 Refer to the view, say (4)
13 Celebrity concert in French in Nice possibly (10)
15 Man of the sea from France? (7)
16 Quires badly frayed unfit to set in print? (6)
19 Cut rumour coming back to student (6)
21 Town having no field could be a city (7)
23 To charge with a crime after five, I have to be spiteful (10)
25 The house a paper backs without first bit of thought (4)
27 Recreation wear (5)
28 Ghastly – as Court 10 is playing? (9)
29 Lady surrounded by blame somehow is answerable (8)
30 Study with paintings around is full of enthusiasm (6)

DOWN

1 Send letters in secret but always use this! (8)
2 Asleep, then rising for food is open to question (9)
3 Flier's bit of mischief (4)
5 Planner put border in playgrounds getting a lift (7)
6 Stand with one shoe, shakily, dumfounded (10)
7 Quiet round for sailors? Could be fleeced! (5)
8 Sailor leaving "The Toad" for a chat (6)
9 Post here to receive attention (2-4)
14 Plant: part is said to be rebuilt (10)
17 The standard could be rather crazy (2,3,4)
18 TNT? Raise alert (boy's present) (5-3)
20 A 27? Could be 17! (7)
21 Reports fielding position (6)
22 Sacred writings? Some have standard versions (6)
24 Ropy gin? (5)
26 Skin blemish is terrifying endlessly (4)

Solution to Puzzle No.6,569



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible]				

Abbey Unit Tst. Mngrs. (a) 80 Holdenhurst Rd, Bournemouth 0345 717373

CCL Unit Trusts Limited 74, Shepherds Bush Green, Ldn, W12 8SU 01-740 7070

CIBC Unit Trust Managers plc Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

CS Fund Managers Limited 125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Trust Mngrs. Ltd 2-6 High St, Potters Bar, Herts 0707 51122

FS Investment Managers Ltd 190 West George St, Glasgow 041-332 3132

Fidelity Investment Services Ltd River Walk, Tonbridge TN9 1DY

Henderson Administration – Contd.

M & G Group – Contd.

National Provident Inv Mgrs Ltd(a)(b)(c) 48 Gracechurch St, EC3P 3HH 01-623 4200

Norwich Unit Trust Managers PO Box 4, Norwich NR1 3NG 0603 622200

Octavian Unit Trust Mgrs Ltd 84 Fenchurch St, London EC3M 4BY 01-265 0371

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	28.2	30.1	-0.1	-
Do. Income	28.0	29.9	-0.1	0.19
Scimitar European Acc	20.9	22.3	-	-
Do Income	20.9	22.3	-	0.11
Scimitar UK Eq Inc Acc	35.5	37.4	-	-
Do Income	33.1	34.9xd	-0.1	5.48
UK Cap Gth Acc	23.8	25.1	-	0.75
Scimitar Pac Basin Acc	29.7	31.7	+0.1	-
Scimitar Mngd Exempt	139.1	144.9xd	+0.2	-

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intnl Income Units	130.7	139.0	+1.3	3.34
Intnl Accum Units	200.2	213.0	+2.4	3.34
UK General Acc	37.4	40.0	+0.4	3.38
UK General Inc	36.0	38.5	+0.4	3.38
American	27.7	29.6	+0.4	2.15
European	35.3	37.8	-	1.26
Japan	58.1	62.1	+0.1	0.03
Technology	35.2	37.7xd	+0.4	2.29
Performance Trusts				
Far East Perf Tst	18.0	19.2	+0.2	2.00
High Inc Perf Tst Inc	23.7	25.3	+0.4	5.36
High Inc Perf Tst Acc	24.1	25.8	+0.4	5.36
Worldwide Tact Perf Tst	28.0	29.9	+0.3	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	206.9	221.3	+2.3	2.70
Columbus (US)	133.9	143.3	+2.2	1.31
Marco Polo (Pac)	214.6	229.6	+1.1	0.28
Da Vinci (Eur)	223.1	238.7	-0.4	1.67
Drake (Wwd)	52.3	56.0	+0.3	2.77

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	200.7	213.6	+1.7	2.75
UK Smllr. Cos. Equity	207.1	220.4	+1.0	1.95
UK Special Situations	59.2	63.0	+0.4	3.00
Income Plus	51.7	55.1	+0.3	5.41
European	162.5	172.9	+1.1	1.64
Far Eastern	50.8	54.1	+0.6	2.23
Japanese	55.5	59.1	+0.3	-
North American	114.3	121.6	+0.7	1.29

Trades Union Unit Trust Managers
100 Wood Street, London EC2

TUUT Mar 1	212.5	223.7xd	-1.1	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	144.3	155.4	+1.3	1.60

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N

Convertible & General	58.2	61.7	+0.1	6.45
Accum Units	59.8	63.5	+0.2	-
Income	78.8	83.6	-	5.14
Accum Units	78.8	83.6	-	-
Smaller Co's	81.8	86.8xd	+0.1	1.87
Accum Units	82.7	87.7	+0.1	-
UK Growth	84.6	89.7xd	+0.6	2.30
Accum Units	85.7	90.9	+0.7	-
Pacific Gold Tst Acc	47.6	50.5	-	-

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40031

British Growth Fd.	57.9	61.6	+0.5	1.74
Technical Analysis Fd.	49.9	53.1	+0.6	3.42

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 606
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	176.3	187.6	-	1.62
Friars Hse Inc Fd	150.2	158.1	-	3.82

United Charities Unit Trusts (a)(e)(g)
Unicorn Hse. 252 Romford Rd, E7. 01-534 5544

United Charities	168.5	170.2	+1.6	4.71

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Charifunds	181.4	193.0	-	1.61
(Accum Units)	184.9	196.7	-	-
Far East & Gen	55.6	59.1	-	-
(Accum Units)	55.6	59.1	-	-
Master Portfolio	65.732	67.397	+0.062	3.07
(Accum Units)	67.532	69.264	+0.063	-
American & Gen	57.4	61.1	+0.9	1.97
(Accum Units)	58.1	61.8	+0.7	-
Growth	208.5	221.8xd	+0.4	1.98
(Accum Units)	314.4	334.5	+0.6	-

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds

Wealth Assur.	374.6	394.4	—	—
Eb'r Ph. Eq	316.0	337.6	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	161.6	170.1	+1.5	—
International Acc.	129.4	136.2	+2.2	—
Property Acc.	125.4	132.0	+0.1	—
Fixed Interest Acc.	154.7	162.8	+0.6	—
Money Acc.	136.8	143.9	+0.1	—
Bldg. Soc. Link Acc.	133.7	140.7	—	—
Special Mngd. Acc.	145.3	152.9	+1.2	—

Phoenix/Framlington

Intl. Growth Acc.	89.2	93.8	-0.8	—
Amer. & Gen. Acc.	82.3	86.6	—	—
Capital Tst. Acc.	170.8	179.7	-0.6	—
Japan & Gen Acc.	181.3	190.8	-0.2	—
American Turn. Acc.	82.2	86.5	-0.1	—
Recovery Tst. Acc.	166.9	175.6	-0.5	—
Special Mngd Acc.	141.6	149.0	-0.3	—

Phoenix/GT

International Acc.	122.0	128.4	-1.7	—
US & General Acc.	91.0	95.7	—	—
Amer Spec Sits Acc.	65.0	68.4	-0.3	—
Japan & General Acc.	176.0	185.2	+0.5	—
Far East & Gen. Acc.	139.3	146.6	+1.4	—
UK Capital Acc.	170.4	179.3	-0.5	—
European Acc.	134.7	141.7	-1.2	—
Special Mngd. Acc.	125.3	131.8	-0.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	260.3	274.0	—	—
Man Pens Inc & Cap Fds.	330.5	347.9	—	—
Money Fund	111.3	117.2	—	—
Pens. Mngd Fd (Unit)	81.8	86.2	—	—
Pens Mngd Fd (Acc)	91.9	96.8	—	—
Pens FT30 Fd (Unit)	125.6	132.3	—	—
Pens FT30 Fd (Acc)	141.1	148.6	—	—
Pens O'seas Mgd (Unit)	93.3	98.3	—	—
Pens O'seas Mgd (Acc)	62.1	65.4	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund

Managed Feb 24	195.6	203.8	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	430.9	453.6	.....	—
Equity Fd	872.3	918.3	+7.2	—
Intnl Fd	308.1	324.4	+2.3	—
Fixed Int. Fd.	366.2	385.5	+1.3	—
Prop. Fd.	306.1	322.3	+0.1	—
Cash Fd.	234.4	246.8	+0.1	—
Pacific Basin Fd.	170.6	179.6	+0.8	—
North American Fd.	125.6	132.3	+0.8	—
European Fd.	132.1	139.1	+0.1	—
Holborn Balanced Gwth Fd.	99.6	104.9	+0.8	—
Holborn Strategic Gwth Fd.	97.5	102.7	+0.8	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	459.8	484.1	+2.8	—
Equity	652.1	688.5	+6.7	—
Global Equity	194.4	204.7	+1.0	—
Fixed Interest	370.0	389.5	+0.5	—
Property	306.8	323.0	+0.2	—
Cash	137.8	145.1	—	—
Index Linked Gilt	164.1	172.8	+0.4	—
Guaranteed	8.96		—	—
International Money	187.7	197.6	+0.3	—
North American Fd.	54.7	57.6	—	—
Japanese Fund	124.6	131.2	+0.2	—
European Fund	70.2	73.9	—	—
Special Situations Fd.	91.3	96.2	-3.1	—
Communications Fund	78.9	83.1	+0.6	—
Smaller Cos Fund	93.6	98.6	+0.3	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Feb 24	£122.46	125.97	—	—
Equity Fund Feb 24	£130.44	134.39	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	......	10.47	8.94
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	+[illegible]	9.74	8.95
98½	95[illegible]	Transport 3pc '78-88	98[illegible]	......	3.04	6.54
101¼	98[illegible]	Treas. 9½pc '88	100[illegible]	+[illegible]	9.48	9.12
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	......	11.27	9.21
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	......	9.47	9.17
96[illegible]	89¼	Treas 3pc 1989	96[illegible]	......	3.12	6.34
104[illegible]	99[illegible]	Treas 10½pc 1989	101[illegible]	+[illegible]	10.35	9.20
103[illegible]	98[illegible]	Exch 10pc 1989	100[illegible]	+[illegible]	9.90	9.20
105¼	100[illegible]	Exch 11pc 1989	102[illegible]	+[illegible]	10.73	9.20
96[illegible]	89[illegible]	Treas 5pc 1986-89	96[illegible]	+[illegible]	5.20	7.51
108[illegible]	99[illegible]	Exch 10¼pc Cv '89	103[illegible]	+[illegible]	9.89	7.93
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	106½	+[illegible]	12.20	9.09
106½	100[illegible]	Exch 11pc 1990‡‡	103[illegible]	+[illegible]	10.65	9.12
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]	+[illegible]	11.78	9.19
92[illegible]	84½	Treas. 3pc 1990	92¼	......	3.25	6.92
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	......	8.36	8.90
101[illegible]	98	Treas. 8pc Cv 1990	101[illegible]	+[illegible]	7.91	7.48
105	97½	Treas. 10pc Cv 1990	101[illegible]	+[illegible]	9.82	9.19
91[illegible]	81[illegible]	Exch 2½pc 1990	89[illegible]	+[illegible]	2.79	6.70
110½	102[illegible]	Treas 11¾pc 1991	106[illegible]	+[illegible]	11.05	9.16
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	93[illegible]	+¼	6.14	8.10
90[illegible]	80¼	Treas. 3pc 1991	88[illegible]	+¼	3.38	7.01
110[illegible]	98½	Treas 10pc Cv '91 ‡‡	103[illegible]	+[illegible]	9.62	8.67
109[illegible]	101[illegible]	Exch. 11pc 1991	105[illegible]	+[illegible]	10.42	9.17
99	91[illegible]	Treas. 8pc 1991	96[illegible]	+[illegible]	8.28	9.05
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	111[illegible]	+[illegible]	11.44	9.16
106[illegible]	97[illegible]	Treas 10pc 1992	102[illegible]	+[illegible]	9.73	9.15
99½	90[illegible]	Treas. 8pc 1992‡‡	96[illegible]	+[illegible]	8.31	9.09
108[illegible]	99½	Treas 10½pc Cv 1992‡‡	104[illegible]	+[illegible]	10.05	9.17
86[illegible]	79[illegible]	Treas. 3pc 1992	85	+[illegible]	3.52	7.05
115[illegible]	105[illegible]	Exch. 12¼pc '92	110[illegible]	+[illegible]	11.05	9.22
121[illegible]	110[illegible]	Exch 13½pc 1992	115[illegible]	+[illegible]	11.69	9.24

Five to Fifteen Years

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107[illegible]	97[illegible]	Treas 10pc 1993‡‡	103[illegible]	+[illegible]	9.68	9.17
118[illegible]	107½	Treas 12½pc 1993‡‡	113[illegible]	+[illegible]	11.00	9.21
95[illegible]	82¼	Funding 6pc 1993‡‡	92¼	......	6.51	7.77
125[illegible]	113¼	Treas 13¾pc 1993‡‡	119[illegible]	+[illegible]	11.52	9.30
129[illegible]	117½	Treas 14½pc 1994‡‡	123[illegible]	+[illegible]	11.73	9.27
124[illegible]	112[illegible]	Exch 13½pc 1994	118[illegible]	+[illegible]	11.35	9.36
107[illegible]	97[illegible]	Treas. 10pc Ln. 1994‡‡	103[illegible]	+[illegible]	9.64	9.18
120[illegible]	106[illegible]	Exch. 12¼pc 1994	114[illegible]	+[illegible]	10.88	9.36
103¼	92[illegible]	Treas 9pc 1994‡‡	99[illegible]	+[illegible]	9.02	9.04
118¼	105[illegible]	Treas 12pc 1995	113[illegible]	+[illegible]	10.61	9.36
84¼	76	Exch 3pc Gas 90-95	83	+[illegible]	3.61	5.95
109[illegible]	97¼	Exch. 10¼pc 1995	105[illegible]	+[illegible]	9.74	9.29

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987/88 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45	......	3.50	17.78
52	40	Do 6pc 28 Stb Ass	45	......	3	16.67
50	45	Do 4pc Mixed Ass.	45	......	2	14.44
75	58	Hung. '24 Ass	75	......	2.73	13.67
146½	122¾	Hydro Quebec 15pc 2011	138[illegible]	+[illegible]	15.00	10.49
136¼	115½	Iceland 14½pc Ln 2016	127	+[illegible]	14.50	11.29
103½	94	Ireland 9¾pc '91-96	100[illegible]	+¼	9.75	9.60

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
27½	2¼	Southwestern Bell $1	21¾	+¼	$2.32	-	6.0
22¼	994p	♥Staley Continental‡	13¾	+¼	80c	-	3.3
44⅞	21⅞	Sun Co. Inc. $1	31¼xd	+⅛	$3.00	-	5.3
42¼	22⅛	TRW Inc $0.625	28⅛xd	+¼	h$1.60	-	3.1
37⅛	21	Tenneco $5	23¾xd	-⅛	$3.04	-	7.0
220	149½	Do 10pcLn.Stk 91-5	155		10%	-	14.7
29⅝	15⅞	Texaco $6.25	24¼	+⅛	$3.00	-	6.8
74⅞	36⅞	Time Inc. $1	51⅞xd	+1⅛	$1.00	-	1.1
30¼	15	Transamerica $1	19⅝	+⅝	$1.84	-	5.2
14⅛	1¼	Transworld Corp $5	946p	+9	20c	-	1.2
27⅛	12¼	TRINOVA Corp.	18xd		56c	-	1.7
24⅞	12⅝	♥USX $1	18⅞	+⅛	$1.20	-	3.5
37⅞	16¼	Utd. Technologies	23	+⅛	$1.40	-	3.3
38⅜	25⅞	US West‡	31⅜	+⅛	$3.28	-	5.7
30½	17⅛	Waste Management $1	20⅜	+⅛	36c	-	1.0
31⅛	11⅝	Whirlpool $1.0	15⅛xd	+⅛		-	-
37⅛	16½	♥Woolworth $3½	26⅝	+1	$1.32	-	2.7

CANADIANS

1987/88 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp‡	245p			-	-
26¼p	10p	♥Abbot Energy Corp.	18p			-	-
18⅛	506p	♥Amer. Barrick Res.	11⅜	+⅛		-	-
141p	3½p	American Lightwave	41½p			-	-
122p	25p	♥Arneeo	34½p	-1		-	-
117p	39½p	Augmitto Explo	51p	-7		-	-
19⅜	10⅝	Bk. Montreal‡	11¾	+¼	$2.00	-	7.5
10½	488p	Bk. Nova Scot.‡	589p	+31	72c	-	5.4
20⅝	15	BCE‡	17⅛	+¼	$2.44	-	6.2
10⅛	611p	♥Bow Valley‡	766p		♦40c	-	2.5
20	10¼	♥Brascan‡	11½		88c	-	3.4
609p	186p	♥Breakwater Res.	215p	-1	10c	-	2.1

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd
[illegible]

LEISURE
[illegible]

MOTORS, AIRCRAFT TRADES
[illegible]

Commercial Vehicles
[illegible]

Components
[illegible]

Garages and Distributors
[illegible]

NEWSPAPERS, PUBLISHERS
[illegible]

PAPER, PRINTING, ADVERTISING
[illegible]

PAPER, PRINTING, ADVERTISING—Contd
[illegible]

PROPERTY
[illegible]

SHIPPING
[illegible]

SHOES AND LEATHER
[illegible]

SOUTH AFRICANS
[illegible]

TEXTILES
[illegible]

TEXTILES—Contd
[illegible]

TOBACCOS
[illegible]

TRUSTS, FINANCE, LAND
Investment Trusts
[illegible]

TRUSTS, FINANCE, LAND—Contd
[illegible]

Finance, Land, etc
[illegible]

OIL AND GAS
[illegible]

OIL AND GAS—Contd
[illegible]

OVERSEAS TRADERS
[illegible]

PLANTATIONS
Rubbers, Palm Oil
[illegible]

Teas
[illegible]

MINES
Central Rand
[illegible]

Eastern Rand
[illegible]

Far West Rand
[illegible]

O.F.S.
[illegible]

Diamond and Platinum
[illegible]

Central African
[illegible]

Finance
[illegible]

Australians
[illegible]

MINES—Contd
[illegible]

Tins
[illegible]

Miscellaneous
[illegible]

THIRD MARKET
[illegible]

NOTES

[illegible]

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☨ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- §§ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations. xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	.....
Craig & Rose £1	663	+13
Finlay Pkg. 5p	77	.....
Holt (Jos) 25p	£11⅞	.....

IRISH

Fund 11¾% 1988	£100⅝	.....
Nat. 9¾% 84/89	£100¼	.....
Fin. 13% 97/02	£114⅝	.....
Arnotts	300	.....
CPI Hldgs	82	.....
Carroll Inds	160	+5
Hall (R. & H.)	106	.....
Heiton Hldgs	44	.....
Irish Ropes	120	.....
Unidare	320	+15

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	20
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	58

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Gilt-edged continue to improve but trade sluggish as blue chips renew advance

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18

*New time dealings may take place from 9.00 am two business days earlier.

THE UK STOCK market moved higher yesterday as strong performances from New York and Tokyo helped sustain London's confidence in the face of the record UK trade deficit in January. There was little investment backing for the early upturn, however, and the market showed no enthusiasm for challenging the FT-SE 1800, still 18 points away at yesterday's close.

"A disappointing day", was the comment from the trading desks. After trading sluggishly throughout the session, the market showed an marked increase in business towards the close when London was slipping from its best levels as Wall Street opened lower.

The FT-SE 100 Index, twelve points up within minutes of the opening of business, closed at 1781.9, a net 13.1 up on its overnight close. Seaq share volume, at 405.1m, high by recent standards, expanded in the final hour.

The session had no lack of special features, although the overall effect on market sentiment appeared to be neutral. Good figures from Unilever left the shares a touch easier, but STC moved up on disclosure of a sharp rise in profits. British Gas ended firmly despite the surprise news that its planned purchase of Petrocorp has been cancelled by the New Zealand Government.

Industrial stocks paused cautiously at mid-session as British Aerospace and Rover were suspended, pending boardroom announcements. Confirmation that it seeks to buy the Government's 99.8 pc stake in Rover turned Aerospace shares downwards, to close 25 lower at 329p after 8.5m had traded. Rover, at 80p, were finally 13p up.

Most of the international favourites were marked higher, although overseas interest failed to meet London's expectations. Among the pharmaceuticals, Glaxo found support but Fisons' profit figures failed to excite the market.

Profit-taking in equities at the end of the day was also indicated in the day's investment flow statistics prepared by the London office of Salomon Bros, the US investment and securities trading house. At the close, the firm calculated that £41.5m net cash had flowed into the equity market yesterday, measured in terms of block trades of 10,000 shares or more. But one hour before the close, the calculation showed a net inflow of £50m.

Yesterday's equity performance supported the market view that the major institutions are now inclined to wait for Budget Day before taking up new investment positions. While the January trade figures have increased the likelihood of a "tight" Budget, the continued firmness of the pound sustains hopes that domestic interest rates will not be raised at this stage.

Sterling also helped to keep the Government bond market in positive form. After opening higher, bonds hung fire until New York opened, when gains in US Federal issues pushed Gilts ahead.

Long-dated Gilts added ⅛ or so, but the best gains, ranging to ¼, came among the mediums, which attracted switching from US Federal ten year issues. Some Japanese interest was seen, but most of the business came from US traders.

Another push for the Index-linked stocks finally took out the remainder of the latest taplet tranche of £100m of 2½ pc IL Treasury '13, which finally sold out at 88⅜.

The Gilt-edged sector is now without a tap stock, a situation likely to prove unacceptable to the authorities in the run-up to Budget Day. The announcement of a new, sizeable, probably partly-paid, tap stock, is expected in the near future, perhaps before the end of this week. In the meantime, a firm pound is expected to keep Gilts very firm.

STC featured in the electronics sector with the shares bid up to 253p – a rise of 13 on the day – after the group revealed preliminary profits up more than 40 per cent at £188m, compared with analysts' best estimates of £185m; turnover in STC was 3.9m shares.

Even before the results were known to the market the shares were on the move with County NatWest describing the stock as "the best buy in the sector on fundamentals". Unilever, the Anglo-Dutch foods and detergent manufacturer, unveiled annual profits 16 per cent ahead of the previous year at £1,327m, but failed to satisfy market optimists.

The shares, firm recently, moved up to 511p awaiting the results, but reacted after the figures to close 2 cheaper on balance at 497p; dealers said the fall in the shares might have been greater but for switching out of Unilever NV into Unilever plc. Some 6m Unilever plc shares traded yesterday.

Fisons, the UK pharmaceutical and horticulture group, revealed annual profits more or less in line with market estimates, after allowing for the surprise bonus of some £7.7m from the decision to redeem an $80m Euronote.

The shares responded immediately and touched 260p, but subsequent profit-taking brought the price back quite sharply and the close was 7 lower on balance at 247p. Also overhanging the shares were recent industry reports that Intal, a Fisons asthma drug, may face new rivals when its US patent expires next year.

Reuters, the international communications group, enjoyed considerable domestic and overseas support and rose 17 to 545p as it split the value of its shares in American Depositry Receipts (ADR) form from the present basis of six shares to one to three to one.

The ADR price is now in the region of $29⅜-$29½ against the previous $57 and London market belief is that the shares will attract increased US demand in the new slimmed-down form.

News that the New Zealand government has rejected British Gas' bid to buy 70 per cent of Petrocorp saw British Gas shares move up 2 to 135p after turnover of 5.8m shares.

BP, meanwhile, remained an active stock in the oil sector and held at 249p, for the "old", while the "new" closed a shade off at 62p. Turnovers were 3.6m and 6.2m respectively.

Other oils moved narrowly, with Shell a shade better ahead of tomorrow's preliminary figures.

Allied-Lyons shares were traded heavily in mounting speculation that Mr Alan Bond was increasing his shareholding. Three large early trades, each of 1m shares, by the same broking house, triggered the latest excitement and set a trading pattern similar to that of the previous day.

The buyer, not identified and simply named as an institutional client, seemed satisfied after obtaining stock at 375p and 376p. The shares rose to 380p bid before reacting quickly as short-term operators took their profits. Another 1m share purchase later at 370½p failed to stop Allied-Lyons closing marginally easier on the day at 369½p after turnover of 14m shares. One market source believes that Mr Bond may have bought some 6m shares over the past two sessions.

BTR, the UK-based conglomerate whose activities include construction, energy, electrical and consumer products, fell 8 to 260p amid rumours, later confirmed, that the group's finance director, Mr. Barry Romeril, had decided to leave to take up a position as financial controller at British Telecom.

Dealers and analysts considered his departure as bearish for BTR and Warburg Securities, the investment house, has downgraded its profits estimate for the group by some £5m to £590m for 1987. BTR's annual results are due on March 17.

Lloyds remained the best performer in a generally buoyant banks sector with "buy" recommendations from UBS Phillips and Drew. Morgan Grenfell and Warburg Securities boosting the banks' shares 10 to 285p on a turnover of 10m. However, stories of an imminent bid for Lloyds were shrugged aside by dealers.

Talk of sizeable switches in the pipeline involving the Scottish banks and the clearers led to Bank of Scotland moving up 3 to 573p. Royal Bank of Scotland jumped 10 to 350p.

The BZW recommendation for SG Warburg boosted the shares 3 to 327p but Morgan Grenfell dipped back 3 to 347p.

Life Insurances were better with the rest of the market – Abbey moved up 3 to 256p – but composites were aggressively bought ahead figures today from Commercial Union; the latter added 7 at 336p. General Accident, also scheduled to announce figures today, rose 12 to 891p. Royals were bought and settled9 firmer at 417p while Sun Alliance, again sustained by a stock shortage, jumped 15 to 907p.

Guinness forged higher on light demand, helped by Wood Mackenzie advice that the group, which derives 80 per cent of profits from wines and spirits, "is the major play on an upturn in world scotch whisky demand". Volume amounted to less than 1m shares but the price closed 7 up at 302p. Better activity was seen in Whitbread "A", up 4 at 289p following revived institutional support while Bass improved to 816p after news of the deal with Apollinaris Brunnen of West Germany. The latter is to launch and distribute Bass traditional British top fermented pale ale in Germany.

The undertone in the Building sector was firm, but gains were modest. Costain firmed 4 to 292p following a bullish note on Construction shares from securities house County NatWest, while Raine Industries, still responding to the asset-swap deal with Evered, added 4 more to 99p. Finlan attracted support at 80p, up 2, and Hewden-Stuart picked up 3 at 128p.

Building Materials showed Blue Circle a shade cheaper at 430p and Rugby 4 off at 255p; both stocks have enjoyed good support of late and the losses mainly reflected light profit-taking and the absence of further buying interest. RMC came on offer late and closed 7 down at 444p, while recently-firm Meyer International shed 2 more to 363p, a two-day fall of 8. Polypipe dipped to 146p following "take profits" advice in the wake of the results, but support at the lower level left the shares only a penny cheaper on balance at 154p.

ICI responded to Wall Street's near 50-point gain overnight and rose ⅛ to £10⅞.

News that RH Macy had moved in with a counter to Campeau's offer for Federated Stores gave an early boost to Marks and Spencer shares which touched 181p before easing back to close a net 2 off at 177p on the view that the group would move in to purchase other interests in the US should the Brooks deal fall through. Talk of an imminent downgrading saw Dixons ease to 185p.

Cable and Wireless attracted good support after first reactions from analysts attending the visit to the company's Hong Kong operation; the shares edged up 5 to 352p on turnover of 2.3m shares. British Telecom added 2½ to 245p on turnover of 2.2m.

Demand for other leading electrical issues was thin but Racal moved up late to close 4 firmer at 225½p on turnover of 3.3m shares. GEC hardened to 156½p and Plessey held around 163p as the merger document on the telecoms business was received by shareholders. Thorn EMI bounced with a 3 gain at 581p.

BICC, due to announce figures shortly, added 5 at 340p, while Amstrad, helped by a recent buy recommendation, added 4 at 159p.

Among second-liners Pressac were 9 better at 143p following sustained speculative interest. Foods attracted selective support, Argyll rising 7 to 201p on a turnover of some 3m shares amid talk of a broker's imminent circular. Ranks Hovis McDougall firmed 5 to 319p reflecting a County NatWest recommendation.

Wellcome attracted support on US influences and moved up sharply in a market short of stock to close 13 higher at 465p, after 470p. Williams Holdings rebounded 10 to 284p after comment on the results and Parker Knoll A rose 20 to 685p in the wake of disposal news. Metal Box closed 2 off at 191p as the company announced further expansion into the household products sector with the acquisition of Henrad Beheer, a Belgian central heating radiator manufacturer, for £40m; the purchase is being financed by a vendor placing of 21.7m new Metal Box shares at 184p per share.

Dowty, a recent BZW recommendation on grounds that the group was not understood and undervalued, improved to 192p while gains were also made by Lucas Industries, 634p, and Armstrong Equipment, 148p. Motor distributors featured Appleyard, up 18 in a thin market to 287p, and Lookers, which reacted 6 to 267p.

Advertising Agencies moved higher across the board with double-figure gains occurring in WCRS, up 12 at 242p, and in WPP, which rebounded 10 to 520p awaiting tomorrow's annual results. Even Saatchi & Saatchi steadied from the fall of the previous session as other analysts also fine-tuned profit forecasts. Still reflecting the proposed demerger proposals, Addison Consultancy advanced further to 102p.

Maxwell Communication's acquisition of an advanced data management system from Sundstrand Corporation for an undisclosed sum stood the shares in good stead at 254p, up 5. Carlton Communications also benefited from a news item, rising 13 to 718p on the chairman's enthusiasm about trading prospects at yesterday's annual meeting. Elsewhere, Pineapple rose 6 to 76p.

Leading Properties emerged from a quiet period, prices moving higher following several significant news items. MEPC, 4 higher at 473p, were boosted by news that the group had been chosen to undertake the Dorchester town centre redevelopment, while Mountleigh gained 9 to 158p following the sale of Beaufort House in the City of London to Norwich Union for some £200m. Land Securities touched 509p prior to closing 4 dearer at 504p; the group intends to establish a £300m multiple option funding facility.

British & Commonwealth regained composure after Monday's uncertainty over the legal move against Mr Gary Klesch's Quadrex Holdings. The UK group is seeking damages for the US company's failure to complete the agreed purchase of its money-broking divisions, Marshall & Co. and William Street Holdings, for £280m. B & C shares settled 3 dearer at 288p. Higher annual profits pushed Templeton Galbraith & Hansberger up 10 to 118p.

Allied-Lyons attracted a good two-way traded option business amid persisting stake-building rumours; Calls totalled 2,487 and puts 1,494 puts. There was a brisk turnover in the FTSE contract comprising 1,022 calls and 1,244 puts, the most active series being the March 1750 calls.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Money was given for the call of Camford, T.Cowie, Mountleigh, North Kalgurli, BOM Holdings 2½p shares, Sound Diffusion, Gold Mines of Kalgoorlie, Eagle Trust, H.J.Baldwin, Eurotunnel, BP partly-paid and AB Engineering. A double was produced in BP partly-paid.

FINANCIAL TIMES STOCK INDICES

	Mar. 1	Feb. 29	Feb. 26	Feb. 25	Feb. 24	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.47	90.26	90.03	90.01	89.76	88.21	93.32 (8/5/87)	85.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.55	96.43	95.79	96.44	96.38	93.74	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1439.1	1429.5	1423.7	1433.9	1417.0	1613.5	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	238.6	234.0	244.9	248.9	254.8	325.2	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord Div.Yield	4.44	4.47	4.49	4.46	4.44	3.62				
Earnings Yld %(full)	10.58	10.65	10.70	10.63	10.67	8.47				
P/E Ratio (net)	11.47	11.39	11.34	11.42	11.38	14.48				
SEAQ Bargains (5pm)	26,092	23,914	23,002	24,908	22,868	46,347				
Equity Turnover (£m)	–	816.41	1157.51	1119.40	961.47	1383.86				
Equity Bargains	–	26,946	27,871	27,688	25,889	61,102				
Shares Traded (ml)	–	347.4	357.6	469.3	359.2	612.4				

S.E. ACTIVITY

Indices	Feb 29	Feb 26
Gilt Edged Bargains	135.8	112.7
Equity Bargains	174.6	173.4
Equity Value	1650.1	2339.6
5-Day average		
Gilt Edged Bargains	128.4	123.8
Equity Bargains	175.5	174.7
Equity Value	2162.0	2193.5

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1438.5	1440.1	1439.1	1438.3	1437.7	1437.6	1437.9	1440.1

Day's High 1441.2 Day's low 1437.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=11.35. † Corrected figure.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	104	1	9
Corporations, Dominion and Foreign Bonds	29	8	15
Industrials	564	232	764
Financial and Properties	267	70	301
Oils	34	19	56
Plantations	1	1	11
Mines	69	26	106
Others	120	39	107
Totals	1,188	396	1,369

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday March 1 1988

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Feb 29 Index No.	Fri Feb 26 Index No.	Thu Feb 25 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	753.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (30)	998.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	1322.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (11)	2081.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (32)	1539.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (58)	388.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	446.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	289.79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	1250.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (185)	1044.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	1029.67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	841.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	2845.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	1844.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	1218.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (16)	506.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	3439.43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	822.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (18)	569.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (93)	886.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1151.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	1044.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	1182.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	1454.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	957.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	1168.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	937.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	1729.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1004.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	647.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	676.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	981.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	528.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	873.18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	348.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	1053.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	386.84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (83)	872.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	424.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1032.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (715)	914.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	1781.9	+13.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tue Mar 1	Day's change %	Mon Feb 29	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.06	+0.11	122.96	0.03	2.04
2 5-15 years	141.74	+0.31	141.30	–	2.14
3 Over 15 years	151.54	+0.17	151.62	0.54	2.46
4 Irredeemables	167.67	+0.45	167.27	0.35	1.54
5 All stocks	138.13	+0.23	137.98	0.09	2.14
Index-Linked					
6 5 years	124.17	+0.06	124.10	–	0.51
7 Over 5 years	117.45	+0.04	117.40	–	0.67
8 All stocks	117.84	+0.04	117.79	–	0.66
9 Debentures & Loans	119.92	+0.31	119.54	–	1.56
10 Preference	88.36	+0.39	88.01	–	0.53

AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 1	Mon Feb 29	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.78	8.75	8.52
2	15 years	9.03	9.06	9.35
3	25 years	8.95	8.97	9.36
4 Medium Coupons	5 years	9.24	9.21	9.12
5	15 years	9.29	9.26	9.58
6	25 years	9.14	9.15	9.58
7 High Coupons	5 years	9.32	9.39	9.68
8	15 years	9.38	9.41	9.72
9	25 years	9.16	9.17	9.52
10 Irredeemables		9.05	9.08	9.31
Index-Linked				
11 Inflation rate 5%	5yrs.	2.53	2.54	2.66
12 Inflation rate 5%	Over 5 yrs.	3.82	3.82	3.81
13 Inflation rate 10%	5yrs.	1.56	1.56	1.01
14 Inflation rate 10%	Over 5 yrs.	3.65	3.65	3.73
15 Debs & Loans	5 years	10.71	10.75	10.37
16	15 years	10.60	10.65	10.46
17	25 years	10.60	10.65	10.47
18 Preference		10.52	10.56	11.20

†Opening index 1781.0; 10 am 1782.1; 11 am 1782.3; Noon 1780.8; 1 pm 1781.3; 2 pm 1781.7; 3 pm 1781.0; 3.30 pm 1782.7; 4 pm 1783.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p. CONSTITUENT CHANGE: [illegible]

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*370)	330	48	55	63	4	12	17
	360	25	35	45	12	23	28
	390	11	20	–	27	40	–
Brit. Airways (*171)	140	32	35	40	1½	5	9
	160	16	21	26	6	10	15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*294)	280	33	45	55	15	27	28
	300	18	30	40	26	38	40
	330	7	18	30	45	55	63
P. & O. (*552)	500	63	77	92	15	22	30
	550	30	50	65	32	42	50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 1 Total Contracts 23,200 Calls 16,637 Puts 6,563
FT-SE Index Calls 1,022 Puts 1,244
February 29 Total Contracts 14,832 Calls 9,609 Puts 5,803
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	[illegible]	Enterprise Oil	[illegible]	Prudential	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]	Racal	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+or–	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO
Closing prices March 1

[illegible]

t—No voting rights or restricted voting rights.

MONTREAL
Closing prices March 1

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CANADA

[illegible]

	Mar. 1	Feb. 29	Feb. 26	Feb. 25	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1273.9	1250.7	1240.9	1244.8	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	590.2	576.2	579.1	586.9	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	168.66	169.94	168.72	168.96	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	4851.6	4840.2	4790.1	4621.8	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	(u)	191.01	190.74	190.33	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	582.2	580.6	580.3	581.0	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	306.9	306.5	305.5	305.3	460.4 (26/3/87)	251.3 (29/1/88)
Ind Tendance (31/12/87)	110.5	110.8	111.2	112.3	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	458.95	456.82	455.51	459.68	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1404.4	1398.3	1391.5	1404.9	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2454.71	2418.08	2383.92	2355.88	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	504.91	503.38	491.74	490.15	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN **						
Nikkei (16/5/49)	25435.90	25242.81	25165.18	25100.66	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	2089.11	2078.07	2072.03	2071.93	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	235.6	232.6	230.6	233.5	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	187.5	182.5	180.2	181.2	288.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	363.65	358.62	363.79	365.19	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	890.2	888.8	888.2	889.1	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1212.0	1222.0	1220.0	2499.0 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	(u)	1429.0	1447.0	1446.0	2266.0 (16/10/87)	1387.0 (13/2/88)
SPAIN						
Madrid SE (30/12/85)	257.83	254.12	251.53	251.44	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2568.1	2517.2	2508.1	2496.4	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	527.0	518.0	519.6	523.1	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	440.7	436.8	436.3	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday February 27: Japan Nikkei 25284.87, TSE 2077.84

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES		
Appleyard	387	+ 18
Argyll Group	201	+ 7
Barclays	495	+ 7
Guinness	302	+ 7
ICI	£10⅞	+ ⅛
Inchcape	684	+ 9
Lloyds Bank	285	+ 10
Mountleigh	168	+ 9
NatWest Bank	595	+ 7
Pressac	143	+ 9
Reuters B	545	+ 17
WCRS	242	+ 12
Williams Hldgs.	284	+ 10
FALLS		
BTR	260	− 8
Fisons	247	− 7

TOKYO – Most Active Stocks
Tuesday, March 1, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	138.24m	385	+10
Nippon Steel	132.12m	437	+7
Sumitomo Metal	99.96m	342	+8
Ishikawajima-Harima Heavy Industries	90.72m	765	+19
Nippon Kokan	85.12m	353	+9
Nisshin Steel	79.44m	714	+30
Tokyo Gas	39.69m	1,100	+20
Toshiba	35.23m	770	-15
Kubota	33.40m	679	-41
Fujitsu	31.37m	1,530	+50

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.7	19	845	21½	21⅛	21⅛	+⅛
35	21	AFG s	.16	.5	14	x3396	32¼	32⅛	32⅛	+⅛
27	10½	AGS s			14	569	17¼	16½	17	+¼
10½	5	AMCA				475	5⅛	5	5⅛	+⅛
9⅝	3¼	AM Intl				1032	4¼	4⅛	4¼	+⅛
65½	26¾	AMR			12	5103	40¼	39½	39¾	−¼
27¼	24⅞	ANR pf	2.67	10.		50	26⅛	26	26	
12¼	6⅝	ARX			8	208	7⅞	7½	7¾	−⅛
73½	40⅛	ASA	3	6.4		718	47	46¼	46¾	+¼
22⅜	9½	AVX			14	344	16¾	16⅝	16⅝	−⅜
67	40	AbtLab	1	1.9	19	4370	52⅝	51¼	51¾	−¼
28	15⅜	Abitibi g				47	18¾	18½	18⅝	+⅛
16¾	8½	AcmeC	.40	3.7		620	10¾	10½	10¾	−⅛
10½	6¾	AcmeE	.32b	3.8	23	10	8⅝	8½	8⅝	
20	14⅛	AdaEx	3.05e	19.		125	16¼	16	16¼	+⅛
19½	8⅞	AdamM	.24	2.0	10	25	12⅛	12⅛	12⅛	
24⅞	7½	AMD				4362	12⅛	11⅝	11¾	−¼
56¾	29¼	AMD pf	3	8.6		36	35⅛	35	35	−¼
11⅞	4⅝	Adobe			12	677	7	6⅝	6⅞	+⅛
20½	16¼	Adob pf	1.84	11.		19	17⅛	16⅞	17⅛	+⅛
21¾	17½	Adob pf	2.40	12.		4	20¼	20¼	20¼	−⅛
15	6⅛	Advest	.12a	1.6	7	96	7½	7⅜	7⅜	−⅛
67⅞	43½	AetnLf	2.76	5.8	6	2728	48	47½	47⅝	
83½	41	AflPub	.40	.7	9	304	60	59⅝	60	
26⅞	13	Ahmans	.88	5.3	8	3718	16⅞	16⅜	16¾	
5⅜	1¾	Aileen				37	2⅛	2	2	
53⅞	29	AirPrd	1	2.1	16	4055	48	47⅝	48	
36	11⅛	AirbFrt	.60	3.6	18	822	16⅞	16⅜	16½	+¼

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	50	Xerox	3	5.1	11	2291	[illegible]	58¼	59	+2¼
55⅛	52⅝	Xerox pf5.45		10.		1469	52½	52⅜	52⅜	
31½	19⅛	XTRA	.84	2.1	16	166	31⅛	30½	30⅞	−⅜
28¼	19⅛	XTRA pf1.94		7.3		6	28⅝	28⅝	28⅝	
33⅞	17½	Yorkin			10	333	28	27	27¾	+¾
7¼	2¼	Zapata				118	3¼	3⅛	3⅛	
37	13½	Zayre	.40	1.7	8	12693	23⅞	22¼	23¼	−½
16⅛	8¾	Zemex	.40	3.9	13	10	10¼	10¼	10¼	−⅛
33⅝	10	ZenithE				1022	17¼	17	17¼	
13½	2½	ZenLab				359	3	2⅞	3	
24	15½	ZenNtl	.80	4.5	8	370	17⅝	17⅜	17⅝	+⅜
20⅜	11⅝	Zero	.36	2.4	15	98	15½	14⅞	14⅞	−½
30¾	15	Zurnin s.88		2.9	16	765	24¼	23⅛	23¼	−1
10⅝	7⅝	Zweig 1.08e		11.		610	9⅞	9⅝	9¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 39

AMERICA

Stocks close day slightly down despite late rally

Wall Street

STOCKS consolidated Monday's gains yesterday as the market traded in a narrow range on heavy volume to end just below Monday's close, *writes Deborah Hargreaves in New York.*

The stock market bounced back from a fall of over 12 points, induced by bond market selling in mid-afternoon, and the Dow Jones Industrial Average closed down 1.16 points at 2070.46.

Both the stock and the credit markets largely ignored the weakening in the dollar and bullish comments by Mr James Baker, US Treasury Secretary, on the US economy. The bond market held onto its fixation with commodities and weakened on a rally in gold prices and an improvement in general commodity prices.

The index of leading economic indicators for January, which saw a greater than expected drop of 0.6 per cent, also failed to have any effect on the market. The revision of December's figure upwards – breaking a four-month downwards trend, which had led to recession fears – to a gain of 0.3 per cent from a drop of 0.2 per cent, offset news of January's fall.

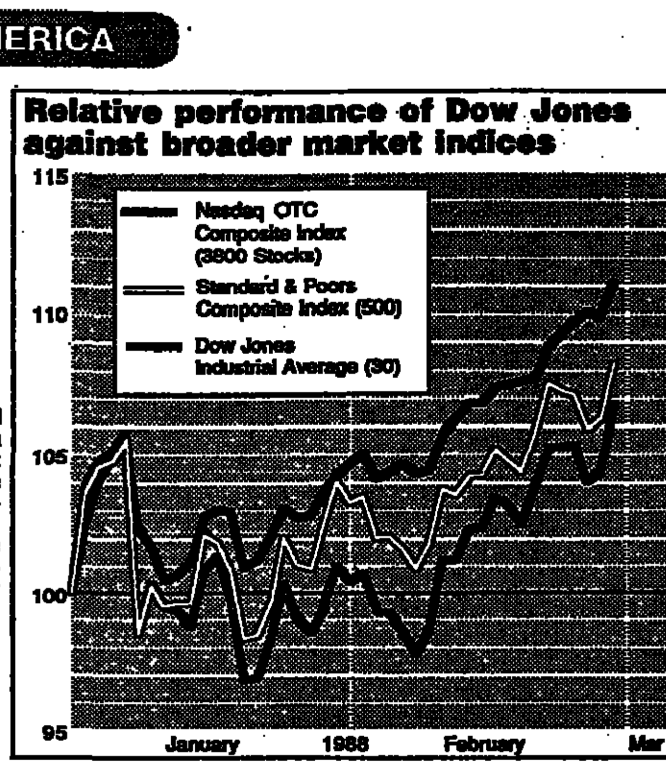
Volume was strong at over 200m shares, but yesterday's volume was "real" as opposed to the dividend rolls, which analysts said, which had fuelled Monday's increase. Declining issues had a small lead on those advancing.

Broader market indices showed little movement yesterday with the Standard and Poors 500 index down 0.59 points to 267.22 and the Nasdaq over-the-counter composite index up 0.37 points to 367.32.

Since the beginning of the year, the Nasdaq index has shown the strongest performance of the three indicators, rising 11 per cent compared with an 8.4 per cent increase in the Standard and Poors 500 and a 6.9 per cent rise for the Dow Jones Industrial Average.

"I think after a brief consolidation that may last a couple of days, the market may be ready for a little jump on the upside," commented Ms Hilde Zagorski, equities analyst at Prudential Bache, "the market is basically in good shape." Blue chip stocks led the general market yesterday, and their performance was as mixed as the broad market. IBM lost $3/8 to $117 1/8, while Sears Roebuck gained $5/8 to $38 7/8 following reports of the company's plans to restructure its retailing operations. General Motors lost $1 1/4 to $71 on news it will close an assembly plant in Michigan, and Chevron gained $1/4 to $44 1/2.

Takeover stocks continued to be very active with Federated Department Stores up $1 1/4 to $87 3/4. This rise followed the disclosure that New York's, privately held retail company, R.H. Macy, had made an offer of $73.8 a share for 80 per cent of the company's shares outstanding.



The latest offer tops a bid by Canada's Campeau Corp of $68 a share.

USG was up $2 5/8 to $40 as Desert Partners, a company controlled by two Texas investors, began a $42-a-share tender offer for the company.

GAF Corp was up $1/4 to $50 3/4 after a management group led by the company's chairman increased its buy-out offer to $46 in cash and $6.50 in debentures for each GAF common share. The group had previously offered $40 in cash and $8.50 in debentures.

Homestake Mining was down $1/8 to $17 5/8 after Monday's rise on news of a takeover offer for the company from T. Boone Pickens' Mesa.

Pillsbury saw its stock rise $5/8 to $37 3/8 in the aftermath of Mr John Stafford's resignation as chairman and chief executive. The company was also considering a restructuring at a board meeting yesterday under Mr William Spoor, who was chairman before Stafford, and resumed the post after his resignation.

The credit market was mixed with Treasury bonds trading in a very tight range and giving back early gains. The benchmark 8.875 long bond was up 2/32 to 105 9/32 with a yield of 8.34 per cent.

Canada

FIRMER commodity prices sent Toronto shares higher in moderate trading yesterday.

The composite index, which had risen about 15 points in early trading, gained 8.10 to 3213.00 as advances outpaced declines by 484 to 322 on volume of 23.4m shares.

EUROPE

Milan and Madrid reach 1988 highs

STRONG advances on Wall Street and in Tokyo provided impetus for markets around Europe yesterday, although profit-taking continued to temper the day's gains. Both Milan and Madrid recorded record highs for the year, while Stockholm surprised traders with its strongest rally for weeks.

FRANKFURT took its cue from Wall Street and Tokyo, ending higher in moderate trade. The FAZ index added 2.13 to 458.95.

A lack of buy orders and profit-taking towards the close reduced the day's gains, but sentiment remained generally bullish.

Retailers were strong, with Kaufhof adding DM7 to DM377 after reporting a 7.5 per cent rise in 1987 group sales. Karstadt put on DM9 to DM421.50.

Bonds were little changed after a quiet session pending the release of US leading indicators for January and the yield on 10-year bonds remained at about 6.20 per cent.

PARIS was hit by a round of late profit-taking and ended lower in quiet trading.

The overnight gains on Wall Street and then in Tokyo led to price rises at the opening, but late selling in all sectors produced modest declines at the close. The CAC index was up 0.4 at 306.9.

Télémécanique took the limelight, shooting up FFr1,770, or 47 per cent, to FFr5,505 after returning to trading. It had been suspended since February 4 following a hostile bid from Schneider. Télémécanique workers, who hold about 10 per cent of the group's shares, plan to strike today in protest at Schneider's bid, worth FFr5,500 a share. "White knight" Framatome is offering FFr4,300.

MILAN rose to its highest closing so far this year in spite of late profit-taking, with the MIB index adding 6 to 1,042.

Trading was moderate yesterday and continued to focus on De Benedetti group shares – although it was selling, rather than the recent buying, which moved the Italian financier's main stocks.

They were hit by a Brussels court's unblocking of a capital increase by his takeover target Société Générale de Belgique. Olivetti lost L145 to L8,855 and Mr De Benedetti's holding company Cofide fell L249 to L5,250.

BRUSSELS was also once again dominated by the battle for Société Générale.

Uncertainty over whether the newly-issued shares would fall into the hands of investors friendly to La Générale, or to hostile bidder Mr De Benedetti, led to sharp movements in stocks closely linked to the battle.

Gevaert fell back BFr500, or 5.9 per cent, to BFr8,000 and Cobepa dropped BFr350, or 6 per cent, to BFr5,450. Both had jumped 12.6 per cent on Monday in reaction to their decision to join the De Benedetti camp.

Shares in La Générale remained suspended on the forward market but they edged down BFr40 to BFr7,950 on the cash market. Other sectors were mixed and the cash market index rose a marginal 11.38 to 4,851.58.

AMSTERDAM rose on foreign buying following Wall Street's advance on Monday and amid speculation about corporate tax cuts.

Unilever rose sharply before announcing a 16 per cent rise in 1987 profits and then fell back on initial disappointment to close 50 cents down at Fl 114.80. Royal Dutch added Fl 1.20 to Fl 215.20 before its results tomorrow, and Philips gained 90 cents to Fl 27.20 on 531,000 shares after news it is forming a joint entertainments venture with Warner Brothers.

Amro Bank rose Fl 1.40 to Fl 65.20 before announcing a 15.7 per cent increase in profits and raising its dividend.

ZURICH closed higher across the board, helped by the firm dollar - at about SFr139 – and Wall Street's previous rise. The Crédit Suisse index rose 8.1 to 459.9.

Brown Boveri added SFr90 to SFr2,015 on the previous day's news that the group was cutting 2,500 jobs in Switzerland.

MADRID continued its strong rise, with the general index closing 37.1 up at 257.83, a record for 1988. Banesto shares were suspended after the bank proposed taking control of five investment firms which it controls.

STOCKHOLM staged its strongest rally in more than a month, helped by the overnight rise on Wall Street and optimism following news of good annual results from several Swedish companies.

The Affaersvaerlden index added 13.4 to 779.0, with SKr323m shares traded,

OSLO produced rises in all sectors in the wake of a proposed wage and earnings freeze, with the all-share index up 3.61 at 275.09.

London

THE confident mood continued in London yesterday, helped by strong earlier gains in New York and Tokyo. But trading was generally sluggish and the FT-SE 100 index closed up 13.1 at 1,781.9.

While overseas interest failed to meet the market's expectation, most of the international favourites were marked higher, including pharmaceuticals group Glaxo.

Unilever's results had already been discounted and it closed slightly easier, while British Gas ended higher in spite of news that its planned purchase of Petrocorp had been cancelled by the New Zealand Government.

Leading institutions appear to be waiting for Budget Day before taking up new investment positions.

SOUTH AFRICA

GOLD SHARES regained part of Monday's losses and closed firmer but slipped from their day's highs as the bullion price drifted around the $430 mark.

In light trade, leading gold issue Vaal Reefs ended up R5 at R242, Randfontein rose R4 to R212 and Kloof firmed R1.25 to R29.50. Among cheaper golds, Eersling gained 30 cents to R2.75.

Western Deep gained R4.50 to R101 on buying by local institutions.

The stronger trend was followed by other minings and financials, helped by a lower financial rand. Rustenberg Platinum rose R1 to R26.50, mining financial Anglo American firmed R1.25 to R45.50 and diamond stock De Beers gained 75 cents to R25.50 on expectations of healthy annual results due next month.

Industrials were mixed. Messina rose R1 to R10.50 after it reported a 386 per cent rise in earnings per share and a restored dividend payment after three years without one.

ASIA

Nikkei resumes rise in heavy trade

Tokyo

THE START of the new month and the overnight gain on Wall Street spurred heavy buying in Tokyo yesterday, with the market recording its highest turnover since August 28 last year, *writes Shigeo Nishiwaki of Jiji Press.*

Nomura Securities helped fuel the rally with large purchases of giant-capitalisation stocks. There was also strong investor interest in stocks likely to benefit from specific incentives.

The Nikkei average, which had fallen back on Monday and thus failed to match the longest-ever rising streak of 14 consecutive sessions, rose 198.09 to 25,435.9. It had moved during the day between 25,255.81 to 25,437.05.

Strong buying of big-capital issues sent volume up from Monday's 922m shares to 1.77bn, the highest since late August, when volume reached 2.3bn. Advances led declines by 585 to 362, with 123 issues unchanged.

The start of the new month led to increased buying by the dealing sections of leading securities houses. But financial institutions had yet to begin full-fledged buying and main actors for the day were non-residents and individual investors, according to an official at Daiwa Securities.

Large-capital steel and shipbuilding stocks held the first six slots on the list of the 10 most active stocks. Trading in the 10 issues remained high, accounting for 43.4 per cent of total transactions.

Kawasaki Steel was the most active with 138.2m shares, rising Y10 to a record Y385. Nippon Steel, second with 132m shares, added Y7 to Y437, while Sumitomo Metal Industries closed Y8 higher at Y342 and Ishikawajima-Harima Heavy Industries put on Y19 to Y765.

High technology stocks were popular for the first time in several sessions, with Fujitsu rising Y50 to Y1,530. Hitachi and Matsushita Electric Industrial were each up Y30 at Y1,320 and Y2,340 respectively. But Toshiba fell Y15 to Y770 on reports that the US Congress had backed a bill calling for the imposition of trade sanctions against all Toshiba group goods, following the illegal export last year by a Toshiba subsidiary of machinery to the Soviet bloc.

Kubota jumped Y41 to Y679 on improved earnings, to become the ninth most active with 33.4m shares, while Mitsubishi Petrochemical and Mitsui Petrochemical each finished Y50 higher at Y1,400 and Y1,380. Konica continued to gain, rising Y30 to Y1,160, and Asahi Chemical climbed Y60 to Y1,170. Nippon Light Metal was up Y17 at Y594.

Consumer-related issues attracted little buying, and Isetan fell Y40 to Y1,960, Chujitsuya Y100 to Y3,650 and Uny Y80 to Y2,330.

Although Nomura Securities and Yamaichi Securities held firm, rising Y60 to Y3,980 and Y50 to Y2,080 respectively, other financial issues were generally dull.

Nippon Telegraph and Telephone added Y30,000 to Y2.41m, but still ended substantially lower than Y2.55m at which the government released its NTT share holdings last November.

Dealers stayed away from the bond market pending the release later this week of statistics likely to affect the market, including the US unemployment rate for last month and Japan's short-term economic outlook, both due on Friday.

A one-point rise in the one-month bill rate caused small-lot selling, with the yield on the 5.0 per cent government bond due in December 1997 rising from Monday's 4.21 per cent to 4.34 per cent in slow trading.

Prices on the Osaka Securities Exchange registered the fourth straight advance in higher volume. The OSE stock average shot up 195.83 to 25,717.94, with transactions rising by 145m shares to 287m.

Onlkenshi chalked up a maximum gain allowed for a single day of Y100 to Y1,050 on rumours of massive buying by speculators. Nintendo added Y330 to Y9,730, but Osaka Soda dropped Y60 to Y1,550.

Australia

THE SHARP gain on Wall Street and firm commodity prices gave the Australian market its best rise of the year as all sectors advanced on mainly domestic buying and volume swelled to more than 110m shares from 90m on Monday.

The All Ordinaries index climbed 23.1, or 1.8 per cent, to 1,273.8, showing a recovery of some 9 per cent since its mid-February low point. Scattered profit-taking lifted the index off its day's highs, however.

The All Industrials index rose 34.6 to 2,070.5 and the gold index advanced 34.1 to 1,473.8 after the recovery in the bullion price in New York overnight.

Bell Group jumped 39 cents to A$1.82 following the takeover offer from Bell Resources, down 21 cents at A$1.04 after falling to 97 cents. Other solid advances in industrials included a 68-cent rise to A$5.50 for Westfield Holdings, the shopping centre owner, following its rise in interim profits.

News Corp rallied from last week's losses, adding 35 cents to A$11.65, and transport stocks again attracted attention, with TNT up 20 cents at A$4.15 and Brambles 18 cents higher at A$8.68. Woolworths added 10 cents to A$2.30 on speculation it would show a stronger profit for the year 1987/88.

Westpac bank was the most active stock, adding 14 cents to A$5.14 on 2.57m shares worth A$13.10m.

Resources leader BHP gained 16 cents to A$6.86 on 1.1m shares.

A steep rise in nickel prices helped Western Mining Corporation to a 13 cent rise to A$4.45.

Singapore

UNCERTAINTY over the market's short-term direction led to afternoon profit-taking and prices closed mixed in lacklustre trading.

Small investors were the main players, focusing on low-priced issues, with institutional investors staying on the sidelines pending Friday's Budget news. The Straits Times Industrial index rose 1.02 to 889.86 and turnover increased to 21m shares from 18m on Monday.

David Dodwell reports on a change of tempo

Budget hopes refresh Hong Kong turnover

OPTIMISM about proposals expected in Hong Kong's 1988 Budget, which is to be presented this afternoon, pushed share prices up yesterday, with stock market turnover passing HK$1bn for the first time in almost six weeks.

The Hang Seng index, the market's main price indicator, rose by 36.6 points to 2,454.7 on volume of HK$1.07bn. This followed a gain of 34 points on Monday, and took the index to its highest level since January 21.

Market operators said that buying enthusiasm was fuelled by expectations of a mildly stimulative Budget, which would include a modest cut in personal and company taxes.

Mr Piers Jacobs, Hong Kong's Financial Secretary, is expected to reveal that economic growth, as measured by gross domestic product, reached more than 12 per cent in real terms in 1987, providing the British territory's second successive year of double-digit growth.

There are few surprises expected in the Budget, however, and some observers commented yesterday that the surge in activity simply reflected the market's emergence from the traditionally quiet, six-week period that spans the Chinese New Year festive season.

A number of positive corporate developments unveiled in recent weeks produced almost no stock market response when they were announced, and some analysts suggested that this week's improvements represented a delayed response to these announcements.

These included a major satellite telecommunications joint venture linking Mr Li Ka-shing's Hutchison group with Cable and Wireless and the Beijing-controlled China International Trust and Investment Corporation.

Mr Li also announced an HK$8bn property development package early in February involving a massive, long-term financial commitment to the territory, which produced almost no reaction at the time.

Mr Li's companies were among the best performers on the stock market yesterday, with Hutchison Whampoa rising 15 cents to HK$7.95 a share, and Cheung Kong, his parent holding company, up 10 cents to HK$7.35.

Strong gains were also recorded by Swire Pacific, up 50 cents to HK$16.50, and Jardine Matheson, up 40 cents to HK$11.50.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 1 1988					MONDAY FEBRUARY 29 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	101.60	+2.1	84.72	93.99	4.53	99.51	83.19	92.06	180.81	85.36	110.49
Austria (16)	87.53	-0.1	72.98	76.57	2.74	87.63	73.26	76.73	102.87	84.35	95.24
Belgium (48)	132.83	+0.7	110.76	115.80	4.12	131.88	110.25	114.97	134.89	94.63	108.77
Canada (127)	117.38	+0.3	97.87	106.84	3.06	117.03	97.83	106.82	141.78	98.15	119.83
Denmark (38)	118.49	+0.3	98.80	103.86	2.82	118.13	98.76	103.67	124.83	98.18	112.95
Finland (23)	116.02	+0.1	96.74	99.27	1.89	115.91	96.90	99.25	–	–	–
France (122)	87.99	+0.4	73.37	78.75	3.80	87.67	73.29	78.63	121.82	72.77	113.67
West Germany (94)	78.42	+0.7	65.39	68.70	2.70	77.87	65.10	68.34	104.93	67.78	88.18
Hong Kong (46)	95.17	+1.8	79.36	95.29	4.44	93.48	78.14	93.61	158.68	73.92	114.71
Ireland (14)	115.56	+1.8	96.36	102.96	4.26	113.54	94.92	101.32	160.22	93.50	120.45
Italy (94)	75.63	+0.5	63.07	70.21	2.75	75.29	62.94	69.98	112.11	62.99	96.05
Japan (457)	162.00	+0.6	135.08	131.33	0.53	161.02	134.61	130.64	162.00	100.00	120.40
Malaysia (36)	113.53	+0.3	94.67	112.87	3.31	113.18	94.61	112.57	193.64	93.76	132.53
Mexico (14)	161.22	+6.4	134.43	409.47	0.87	151.56	126.70	383.11	422.59	90.07	131.54
Netherland (37)	103.48	+1.2	86.29	89.31	5.04	102.26	85.49	88.44	131.41	87.70	102.79
New Zealand (23)	64.42	-1.1	53.72	52.07	6.26	65.16	54.47	52.03	138.99	64.42	92.39
Norway (24)	111.16	+1.3	92.69	95.74	3.19	109.68	91.69	94.57	185.01	95.51	114.27
Singapore (26)	104.27	-0.2	86.94	96.75	2.48	104.48	87.34	96.97	174.28	81.21	116.82
South Africa (61)	123.88	+0.6	103.29	76.28	5.47	123.10	102.91	74.75	198.09	100.00	127.34
Spain (43)	140.30	+1.9	116.99	120.64	3.48	137.74	115.14	118.85	168.81	100.00	117.12
Sweden (32)	111.82	+2.0	93.24	98.99	2.75	109.59	91.62	97.14	136.64	88.50	106.80
Switzerland (53)	83.76	+1.9	69.85	72.26	2.35	82.19	68.71	70.91	111.11	73.65	94.34
United Kingdom (327)	131.11	+1.0	109.33	109.33	4.32	129.87	108.57	108.57	162.87	99.65	124.39
USA (585)	108.92	-0.2	90.83	108.92	3.46	109.10	91.21	109.10	137.42	91.21	117.45
Europe (965)	105.69	+0.9	88.13	90.94	3.78	104.72	87.54	90.29	130.02	92.25	108.81
Pacific Basin (679)	156.94	+0.7	130.87	128.38	0.72	155.93	130.35	127.64	158.77	100.00	119.68
Euro-Pacific (1644)	136.46	+0.7	113.78	113.47	1.67	135.46	113.24	112.77	143.65	100.00	115.35
North America (712)	109.37	-0.1	91.20	108.82	3.44	109.52	91.56	108.99	137.55	91.68	117.58
Europe Ex. UK (638)	89.87	+0.9	74.94	79.38	3.29	89.06	74.46	78.80	111.97	78.89	99.17
Pacific Ex. Japan (222)	96.02	+1.6	80.06	90.30	4.47	94.50	79.00	88.81	164.03	82.92	110.86
World Ex. US (1846)	135.69	+0.7	113.15	112.97	1.75	134.71	112.62	112.27	143.38	100.00	115.66
World Ex. UK (2104)	124.78	+0.4	104.04	111.77	2.11	124.31	103.92	111.41	138.82	100.00	115.59
World Ex. So. Af. (2370)	125.33	+0.4	104.51	111.80	2.30	124.80	104.33	111.41	139.47	100.00	116.30
World Ex. Japan (1974)	107.75	+0.3	89.85	101.48	3.61	107.42	89.80	101.24	134.22	92.98	114.45
The World Index (2431)	125.33	+0.4	104.50	111.54	2.32	124.79	104.32	111.14	139.73	100.00	116.37

Base values. Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Takeover activity touching on Societe Generale de Belgique may have distorted the Belgian index in the absence of firm prices.